

REGIONAL CO-OPERATION FOR DEVELOPMENT AND EUROPEAN INTEGRATION



Belgrade Podgorica Prishtina Sarajevo Skopje Tirana Zagreb
2007

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CONTENT

REGIONAL CO-OPERATION AS A WAY TO EUROPEAN INTEGRATION	05		
INTRODUCTION	07		
1. WESTERN BALKANS ON THE ROAD TOWARDS EU	11		
1.1. STABILISATION AND ASSOCIATION PROCESS - SAP	11		
1.2. REGIONAL COOPERATION AS KEY ELEMENT OF SAP	14		
2. OVERVIEW OF THE REGIONAL INITIATIVES	17		
2.1. SOUTH-EAST EUROPEAN CO-OPERATION PROCESS - SEECP	17		
2.2. STABILITY PACT FOR SOUTH EASTERN EUROPE -SPSEE	18		
2.3. SOUTH EASTERN CO-OPERATION INITIATIVE - SECI	19		
2.4. CENTRAL EUROPEAN INITIATIVE - CEI	21		
3. FIELDS OF REGIONAL COOPERATION	23		
3.1. PARLIAMENTARY COOPERATION	23		
3.2. TRADE AND INVESTMENT	24		
3.2.1. FREE TRADE - CEFTA 2006	24		
3.2.2. INVESTMENT CLIMATE	28		
3.2.3. SMALL AND MEDIUM ENTERPRISES	29		
3.3. INFRASTRUCTURE DEVELOPMENT	31		
3.3.1. ENERGY	31		
3.3.2. TRANSPORT	35		
3.3.3. ENVIRONMENT	38		
		3.4. HUMAN CAPITAL BUILDING	41
		3.4.1. EDUCATION	42
		3.4.2. RESEARCH AND DEVELOPMENT	44
		3.5. INFORMATION SOCIETY DEVELOPMENT	47
		3.6. SECURITY AND FREEDOM OF MOVEMENT	49
		3.6.1. VISA FACILITATION	49
		3.6.2. INTEGRATED BORDER MANAGEMENT AND CONTROL	50
		3.6.3. FIGHT AGAINST TRANSBORDER CRIME AND CORRUPTION	51
		4. TRANSFER OF REGIONAL COOPERATION OWNERSHIP	55
		LIST OF ABBREVIATIONS	57

REGIONAL CO-OPERATION AS A WAY TO EUROPEAN INTEGRATION



Foreword by **Erhard Busek**,
Special Co-ordinator of the
Stability Pact for South Eastern
Europe

Fostering regional co-operation has been the main mandate of the Stability Pact, since its foundation in 1999.

Today, the importance of regional co-operation for addressing common problems in the region is widely recognized, but this was certainly not the case when the Pact was launched. Relationships between many of the South East European countries were strained and contacts limited. This new attitude towards regional co-operation can be seen as a success of the Pact, but it is also a sign of how positively South East Europe has developed in the last eight years.

Regional co-operation in South East Europe is a

necessity-initially the main aim was to heal the scars left from the conflicts of the 1990s, and regional co-operation on concrete fields worked as a very effective tool for reconciliation.

Quite a few issues in South East Europe, from fostering investment and trade, to improving transport networks, from managing migration to fighting organized crime, can only be addressed effectively on a regional basis.

And regional co-operation is both a prerequisite and a tool for European integration, the main strategic goal for all countries in South Eastern Europe. The foundations of the EU itself are built upon the notion of regional co-operation, and the EU sets it as a necessary condition for further integration of South East Europe into the EU. Regional co-operation can also be seen as a practicing ground for future EU membership, and should not be mistaken for a substitute for EU integration.

When the Stability Pact was launched, regional co-operation was mainly promoted and led by the international community. This is not the case anymore: the Pact is transforming in a regionally owned framework, the Regional Co-operation Council (RCC), that will be led by a Secretary General from the region and will have a Secretariat based in Sarajevo.

The Regional Co-operation Council will sustain regional co-operation in South East Europe and co-ordinate all the different thematic co-operation processes which are now operating under the framework of the Pact, from Parliamentary Co-operation to anti-corruption, to trade, infrastructure, etc.

The RCC will provide, through its Secretariat, operational support to the South East European Co-operation Process (SEECp), the main framework for political consultations in South East Europe, and the real voice of the region.

Finally, the RCC will support the European and Euro-Atlantic integration of the region, and will act as the main interlocutor of the EU for regional co-operation.

The international community will still support regional co-operation efforts, but it will be up to the region to have now the lead. Ownership means responsibility. Through the RCC, South East Europe itself will now finally be in the driving seat charge of regional co-operation, and will then decide upon its own future.

This is what regional co-operation is all about-building a secure and prosperous common future for the region.



Erhard Busek
Special Co-ordinator of the Stability Pact
for South Eastern Europe

INTRODUCTION

Under the conditions of increasingly intensive globalisation, the importance of regional and sub-regional co-operation is growing, reflecting common interests and challenges of regional players. In its essence it is related to the need for combined efforts and resources to face global challenges, and the existence of similar or even identical conditions for development or obstacles to the fulfilment of national goals. But this is not enough for successful co-operation if there is no political will to cooperate.

Since the end of 1990s, political initiatives predominantly coming from outside the region were undoubtedly an important impetus for creating a positive climate for regional co-operation in the Balkans. But communication among politicians is not enough, as the political will is not an exclusive domain of statesmen and politicians. Establishing contacts between people, municipalities, business community, civil society and educational, scientific and cultural institutions of Western Balkan countries is equally important in this respect. Significant and useful work has been done in this field thanks to the activities of several regional initiatives. Their common efforts should be continued, although in a transformed institutional shape. All Western Balkan countries are aware of the importance of these activities, which has been reflected, for instance, in their readiness to take part in several sectorial agreements (trade, energy, transport, environment etc.), increasing the regional ownership and the level of institutionalisation of these processes.

The countries of the region are expected to gradually takeover full responsibility and ownership for future regional co-operation in



This brochure is a part of a wider regional project with the twofold overall aim: to promote the role of regional cooperation in South East Europe, particularly in Western Balkan countries¹, as an important instrument for faster European integration and sustainable development, as well as to promote co-operation and co-ordination of reform and integration efforts across the region.

¹ Western Balkans is a term European Union is using for: Albania, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, and Serbia, including Kosovo in accordance with UNSCR 1244.

the framework of the European integration process. They will have to decide to what extent co-operation based on the existing structures, or on those that might emerge with increased regional ownership, is feasible and beneficiary for the entire region. For the success of the regional ownership process it is very important to inform and raise understanding of wider circles in the countries of the region.

However, there is evident lack of information and lack of understanding about the role of regional co-operation, in general, and particularly about the opportunities for economic development, job creation and poverty reduction within above-mentioned regional processes and projects. That is why this brochure on regional cooperation in the Western Balkans is aimed to: raise awareness on the importance and potentials of regional projects for economic development and poverty reduction; systematize information and present existing regional projects and initiatives, particularly in the fields of trade, infrastructure, energy, small and medium enterprises (SMEs), information society development, education, research and environment; raise interest and mobilize professional capacities of national administrations, political structures, business community and university centres and research institutions, as well as media and NGOs to actively contribute to the successful implementation of core regional projects; and promote integrated cross-sectorial and cross-initiatives approach in regional cooperation.

The project “Regional Framework for Development and European Integration” has been developed in wide partnership of seven NGOs and think tanks from the region² and implemented in all countries of the Western Balkans. The brochure was published in all regional languages, as well as in English.

The aim of the overall project is expected to be achieved through providing information to the wider audience during a serial of info days giving a general overview of regional co-operation in South East Europe, particularly in the Western Balkans, and presenting recent developments and future plans in the region in the most important fields of co-operation. Presentations are delivered by local and international experts and special speakers and guests (from the Stability Pact, European Commission, regional centres, etc).

Besides the brochure and info days, the project will be widely popularised in media through press conferences and media campaigns. This is expected to result in more competent articles and presentations in media about activities and achievements in regional co-operation.

The important long lasting outcome of this common effort will be to establish a network of regional co-operation promoters, with a common agenda of future studies and projects. Through all these activities the main aim of the project to be achieved is raised interest for and higher level of understanding of the role and content of regional co-operation in the SEE.

² European Movement in Serbia, European Movement in Montenegro, Kosovo Institute for Policy Research and Development, Helsinki Committee for Human Rights in Bosnia and Herzegovina, Centre for Institutional Development (Macedonia), Albanian Institute for International Studies, and Institute for International Relations (Croatia).

Furthermore, participants in the project decided to continue their cooperation with the follow-up project aiming to produce, on the basis of collected information, interviews and discussions during the info days in all countries of the region, more substantial and deeper analysis of the regional cooperation achievements and problems. The idea is to produce a regional paper on what has been done, what is missing, what are the plans in respect to the regional co-operation, as well as common recommendations for future action.

1. WESTERN BALKANS ON THE ROAD TOWARDS EU

In January 2006, the European Commission adopted a Communication *The Western Balkans on the road to the EU: consolidating stability and raising prosperity*³. The Communication assesses progress made since the EU - Western Balkans Thessaloniki Summit and sets out concrete measures to reinforce the EU policy for the Western Balkans and its instruments.

1.1. Stabilisation and Association Process

http://ec.europa.eu/enlargement/index_en.htm



The Western Balkan countries are expected to be the subsequent group of the new European Union member countries in the next decade. It is important to underline that all countries of the Western Balkans have the prospect of future EU membership. That was endorsed by the European Council in Feira in June 2000, and confirmed in Thessaloniki in June 2003, as well as in subsequent high-level meetings of the European Union, including the informal meeting of the EU foreign ministers in Salzburg, in March 2006.

The Stabilisation and Association Process was launched in May 1999, as a long-term commitment of the European Union to assist the countries of the region, both in terms of political effort and financial and human resources development assistance all the way to full membership. Albania, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro and Serbia (including Kosovo, according to the UNSC Resolution 1244) are included in the Stabilisation and Association Process (SAP) - a part of the EU Enlargement Policy preparing the whole region of the Western Balkans for the integration into the EU. The Stabilisation and Association Process is both a bilateral and a regional process that establishes relations between the SAP countries and the EU and at the same time encourages co-operation among the SAP countries.

In regard to the regional co-operation, participating countries committed themselves to promote concrete objectives and initiatives in accordance with the Thessaloniki Agenda⁴,

³ *The Western Balkans on the Road to the EU: consolidating stability and raising prosperity*, Communication from the Commission, Brussels, 27.01.2006. COM (2006), 27 final.

⁴ The Thessaloniki Summit, held in June 2003, enriched the SAP with elements inspired by the enlargement process for candidate Central and Eastern European countries. The Thessaloniki Agenda introduced a range of new instruments to support the reform process in the Western Balkan countries and to bring them closer to the European Union.

in the areas of regional trade liberalization, visa-free movement within the region, collection of small arms, creation of regional markets for electricity and gas, development of transport, energy and telecommunication infrastructures, environment protection and water management, research and development, cross-border and parliamentary co-operation.

The SAP pursues three aims: stabilisation and a swift transition to a market economy; the promotion of regional cooperation and the prospect of EU accession. It helps the countries of the region to build their capacity to adopt and implement European standards, including the *acquis communautaire*⁵, as well as international standards. Each country moves forward on the basis of the fulfilment of its commitments in the framework of the SAP. Each year the European Commission in its Annual Progress Reports assesses the readiness of the Western Balkan countries to move closer to the European Union.

SAP is a key strategic and political element in the EU's long-term engagement, explicitly linked to the prospect of EU accession, and adjusted to the level of development of each of the countries in the region, allowing them to move at their own pace, while strongly encouraging regional cooperation. It is a progressive partnership, in which the EU offers a mixture of trade concessions, economic and financial assistance and contractual relationships.

The first phase in this process comprises various steps towards the establishment of a formal contractual relationship of each

country with the EU in the form of a Stabilisation and Association Agreement (SAA). The conclusion of such an agreement is dependent on the country having made sufficient progress in terms of political and economic reform and having demonstrated sufficient administrative capacity.

The SAA represents a political commitment on the part of both the signatory country and the EU. The signatory country commits itself to completing, over a transition period, a series of reforms to meet EU standards, with a view to achieving closer association with, and eventual integration into, the European Union. Each country determines its own pace in the gradual implementation of reform. The countries also have common obligations: respect of the rule of law and key democratic principles, stable and democratic institutions, and a free economy. To ensure that the contract will be fulfilled satisfactorily, the EU carries out a thorough preparation and negotiation process with the signatory country.

One of the chapters of the SAA is devoted to the regional co-operation stating that signatory country of the SAP will actively promote regional co-operation. Moreover, after the signature of the Agreement respective country "shall start negotiations with the country or the countries which have already signed a Stabilisation and Association Agreement with a view to concluding bilateral conventions on regional co-operation, the aim of which will be to enhance the scope of co-operation between the countries concerned."⁶

⁵ The entire body of European laws is known as the *acquis communautaire*. This includes all the treaties, regulations and directives passed by the European institutions as well as judgements laid down by the Court of Justice.

⁶ Article 12 in SAA with Croatia.

Table 1. The phases in Western Balkan countries' accession to the EU

	Beginning of the Stabilization and Association process	Feasibility Study	SA Agreement	Application for membership	Acquired candidate status for membership	Beginning of the negotiation for membership
Croatia	1999.	May 2000.	October 2001.	February 2003.	June 2004.	October 2005.
Macedonia	1999.	June 1999.	April 2001.	March 2004.	Dec. 2005.	NO
Albania	1999.	January 2003.	June 2006.	NO	NO	NO
Montenegro	2000.	April 2005.	Initialled in March 2007.	NO	NO	NO
Bosnia & Herzegovina	1999.	November 2003.	Completion of the negotiation December 2005.	NO	NO	NO
Serbia	2000.	April 2005.	NO	NO	NO	NO

All countries of the region have advanced on their way to the EU. So far, three countries have signed Stabilisation and Association Agreements with the EU: Macedonia (9 April 2001), Croatia (29 October 2001) and Albania (12 June 2006). The first two countries are now EU candidate countries. Croatia was granted EU candidate country status by the European Council on 18 June 2004 and started on 3 October 2005 accession negotiations with the EU, while Macedonia was granted the candidate status on 15 December 2005 and is expecting the decision of the European Council on opening negotiations on accession.

Other participants in the SAP are potential candidates for membership: Albania has

signed the SAA, Montenegro has initialled the SAA on 15 March 2007, Bosnia and Herzegovina has concluded negotiations on 10 October 2005, but has not yet signed the SAA. The European Council opened the SAA negotiation process with Serbia and Montenegro in November 2005. Negotiations with Serbia have been called off in May 2006. As confirmed by the Thessaloniki Summit, Kosovo is part of the Stabilisation and Association Process and the negotiations have been developed through the SAP Tracking Mechanism (STM).

The financial instrument supporting SAP in the period 2000-2006 was CARDS. The EU is the biggest donor to the region. For the period 2000-2006 the following amounts have been allocated (in € million):

Table 2. EU financial assistance to the region (2000-2006) In € million

Albania	316
Bosnia and Herzegovina	503
Croatia	524
Macedonia	292
Serbia and Montenegro	1514
Kosovo	1110

Source:

http://ec.europa.eu/enlargement/questions_and_answers/western_balkans_en.htm

From 1 January 2007 the new Instrument for Pre-accession Assistance (IPA for the period 2007-2013) has entered into force bringing all pre-accession support into one single, focused instrument. This new instrument replaced the instruments existing until then - PHARE, SAPARD, ISPA and CARDS. Within IPA there are five components: 1) Assistance for transition and institution building; 2) Regional and cross-border cooperation; 3) Regional development; 4) Development of human resources, and 5) Rural development. Potential candidate countries have access only to components one and two. All components are open for candidate countries. Total funds planned within IPA for the period 2007-2013 amounts to €11,565 billion and for the first three years the sum is around €4,119 billion. Ten percent is allocated for regional co-operation, i.e. the multi-beneficiary component that in the first three years amounts to around € 401 million. The condition for using funds from the multi-beneficiary part of IPA is the participation of at least three countries. Regional IPA will

finance structures in regional cooperation, such as the Stability Pact for SEE and the new Regional Co-operation Council as well as cooperation in the region in the following fields: development of infrastructure, judiciary and home affairs; the development of the internal market, the reform of all parts of public administration; support to civil society; education, young people and research; market economy; nuclear security and protection from radiation.

1.2. Regional co-operation as a key element of the Stabilisation and Association Process

Regional co-operation amongst participating countries constitutes a key element of the SAP: constructive regional co-operation is recognised as a qualifying indicator of the countries' readiness to integrate into the EU. Regional cooperation is a specific requirement under the SAA. Rapprochement with the EU will go hand in hand with the development of regional co-operation in the Western Balkans based on the model of European Union integration and co-operation.

The different sets of reasons - political, economic and security - for which regional co-operation in the Western Balkans is crucial, are closely interlinked: for instance, regional stability and security are needed for economic development, which in turn favours stability and security in the region. Individual countries cannot resolve issues such as economic

growth, refugee return, infrastructure development and the environmental protection on their own.

At the meeting of the Regional Table of the Stability Pact in SEE in May 2006 in Belgrade the following priorities for regional co-operation have been defined:

- **Economic Development** includes regional trade and domestic and foreign investment, in particular single free trade agreement and a regional investment framework; this work should also be supported by the private sector, building upon existing arrangements;
- **Infrastructure** includes transport infrastructure with a focus on the main corridors in SEE, energy (including gas), airspace, electronic SEE; full involvement of the international financial institutions will be crucial to facilitate infrastructure development and regional co-operation in that respect;
- **Justice and Home Affairs** comprise notably the fight against organised crime and corruption, including support for enhanced regional law enforcement cooperation through the SECI Regional Centre for Combating Trans-border Crime and for enhanced cooperation between the SECI Centre and Europol;
- **Security co-operation** comprises security sector reform, including defence conversion and combating the spread of illicit small arms and light weapons; co-operation with regional frameworks outside the context of the Stability Pact; and
- **Building Human Capital** comprise education, technical and vocational training, research and science in general, as well as capacity

building in public administration in particular.

Parliamentary Co-operation is an overarching theme aimed to support activities in the above areas.

These priorities are valid not only for the Stability Pact but also for the SEECP and the future Regional Co-operation Council, as well as for the EU as the main supporting force of the Stability Pact.

2. OVERVIEW OF THE REGIONAL INITIATIVES

A number of various regional initiatives⁷ in different formats are active in the region of South Eastern Europe, such as the South-East European Co-operation Process (SEECP), the Stability Pact for South Eastern Europe (SP SEE), South Eastern Cooperation Initiative (SECI), the Central European Initiative (CEI), Adriatic Ionian Initiative, Organization for Black Sea Economic Cooperation (BSEC), Danube Cooperation Process, Sava River Initiative, as well as the European Commission. The Stability Pact for South Eastern Europe is playing a special role as an assistant and complementary

mechanism for achieving regional stability and economic improvement. For the purpose of this brochure we shall present in short four regional initiatives in which all Western Balkan countries participate.

2.1. South-East European Cooperation Process (SEECP)

<http://www.mvpei.hr/seeep/>

The South East European Co-operation Process (SEECP) was launched in 1996. At the Bulgaria-chaired meeting of the foreign ministers in Sofia, the SEE countries laid the foundations for regional co-operation for the purposes of creating an atmosphere of trust, good neighbourly relations and stability.

The basic goals of regional co-operation within the SEECP include the strengthening of security and political co-operation, intensification of economic relations and co-operation in human resources, democracy, justice, and combating organised crime. It is the intention of the SEECP to make it easier for its members to approach the European and Euro-Atlantic structures through the strengthening of good neighbourly relations and transformation of the region into an area of peace and stability.

A special characteristic of the SEECP is that it is an original form of co-operation among the countries in the region launched on their own initiative. In that regard, SEECP could be

⁷ Full overview of regional initiatives in Lopandić, Duško, Regional Initiatives in South Eastern Europe, Institute for International Politics and Economy and European Movement in Serbia, Belgrade, 2001.

defined as an authentic voice of SEE and the main political forum for dialogue among participating countries, as well as between the region and the wider international community, particularly EU.

In the context of the on-going restructuring of regional co-operation, meaning a gradual phasing out of the Stability Pact, the establishment of the new Regional Co-operation Council and changed principles and conditions of the regional co-operation, the SEECP is gaining an even more important role as the main political framework for the future cooperation. The Regional Co-operation Council shall be functionally linked to the SEECP as its operational arm for the implementation of the guidelines and decisions of the SEECP Summits.

The SEECP is co-ordinated by the presiding country, until May 2007 it is Croatia, afterwards Bulgaria. The SEECP Chairmanship-in-office is rotating on a yearly basis from May to May next year. The presiding country presents the Process at international meetings and hosts and chairs the annual meeting of heads of state and government, foreign ministers meetings, as well as other ministerial and working meetings.

Meetings of the ministers of foreign affairs are the main forum for consultations and management of the cooperation among the participating countries. The Committee of the political directors is a working body responsible for the preparation and follow-up of the Summit and ministerial meetings. The Troika of the SEECP is becoming an important form of representation composed of the past, present and future Chairmanship-in-Office. Decisions within the SEECP are taken by consensus.

Participating states are: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Greece, Macedonia, Moldova, Romania, Serbia, Turkey and Montenegro (to join the SEECP in May 2007).

The main SEECP document is the *Charter on good neighbourly relations, stability, security and cooperation in South-eastern Europe*, adopted in Bucharest in 2008⁸ The Charter is to be amended in order to reflect the relationship between the SEECP and the Regional Co-operation Council.

2.2 Stability Pact for South Eastern Europe (SPSEE)

<http://www.stabilitypact.org>

The Stability Pact for SEE is the first serious attempt by the international community to replace the previous, reactive crisis intervention policy in South Eastern Europe with a comprehensive, long-term conflict prevention strategy.

On 10 June 1999, upon the EU's initiative, the Stability Pact for South Eastern Europe was adopted in Cologne. In the founding document, more than 40 partner countries and organisations undertook to strengthen the countries of South Eastern Europe "in their efforts to foster peace, democracy, respect for human rights and economic prosperity in order to achieve stability in the whole region". At a summit meeting in Sarajevo on 30 July 1999, the Pact was reaffirmed.

The Special Co-ordinator chairs the most important political instrument of the Stability

⁸ http://www.mvpei.hr/seecp/docs/povelja_SEECP.pdf

Pact, the Regional Table. There are three Working Tables, which operate under the Regional Table:

Working Table I: Democratisation and Human Rights;

Working Table II: Economic Reconstruction, Co-operation and Development;

Working Table III: Security Issues (with two Sub-Tables: Security and Defence, and Justice and Home Affairs).

A special feature is that at Regional and Working Tables representatives of South Eastern European countries are on an equal footing with those of wider international community, international organisations and financial institutions in advising on the future of their region and in setting priorities concerning the content of all three working areas. The European Union and its Member States are collectively the most important donors in the region.

Over the years, the Stability Pact has been responsible for several “success stories”. Companies are taking full advantage of regional free trade with the result of intra-regional trade doubling over the past few years. There is now a common approach to addressing difficult issues such as the fight against organised crime and corruption. Best practices in the area of migration are being exchanged. The Energy Treaty has created a regional electricity market consistent with EU standards. Four countries have formed the Sava River Commission to manage the economic and environmental issues of this important basin. There is ever-closer co-operation among the local authorities along the borders of SEE countries that are today being protected by the police and no longer by the military.

These are examples of some of the positive developments that have taken place in SEE over the past 7 years. There is no doubt that the region is much more mature today and it is expected to take greater ownership of its own affairs. In that context the Stability Pact initiated in May 2005 a regional ownership process with the aim of preparing a phased evolution of the Stability Pact into a more regionally owned, streamlined and effective regional co-operation framework in South Eastern Europe. At the Regional Table meeting in Belgrade in May 2006 it has been decided to establish a Regional Co-operation Council (RCC) to take over the responsibilities of the Regional Table and Working Tables by early 2008.

The main tasks of such a framework should be the facilitation of regional co-operation and support for European integration, while ensuring continued involvement of the donor community, thus preserving the legacy of the Pact. The European Union was the initiator and driving force of the Stability Pact and will continue to actively participate in new Regional Cooperation Council.

2.3. South Eastern Cooperation Initiative (SECI)

<http://www.secinet.org>

The purpose of SECI is to enhance regional stability through the development of economic and environmental cooperation throughout the region, in particular by involving the private sector in these activities.

SECI was launched by the USA in 1996 with the aim to encourage cooperation amongst countries of the region, and facilitate the entry of Southeast Europe into European integration. SECI was defined as a forum where representatives of participant states meet in order to discuss common regional economic problems and issues concerning the environment.

Furthermore, SECI attempts to emphasize and coordinate region-wide planning, identify needed follow-up and missing links, provide for better involvement of the private sector in regional economic and environmental efforts, help to create a regional climate that encourages the transfer of know-how and greater investment in the private sector, and assist in harmonizing trade laws and policies.

SECI was highly pragmatically defined as a “flexible framework for the initiation and implementation of concrete projects and programs of interest to participant countries”. It is worth mentioning that within the SECI framework the Business Advisory Council (BAC) was created in June 1997 gathering eminent businessmen from the countries of the region. Its aim is the greater inclusion of the private sector in regional activities and processes.

Important projects related to the simplification of border crossings procedures have been initiated and supported: a) physical improvement of border crossings, b) simplification and standardization of border and customs procedures, c) restructuring of border services and d) fight against crime

and corruption. The most concrete SECI project is the Regional TTFSE Program - Trade and Transport Facilitation in South East Europe. The aim is to physically improve the border crossings, upgrade customs administration, acquisition of necessary equipment computerization of the procedures and facilitation of information exchange amongst border bodies and business circles. Duration of the Regional TTFSE Program has been planned until 30 June 2007 with the possibility of prolongation for another seven years.

In September 1998 the association of national PRO committees in SEE - SECIPRO has been created, the aim of which is the simplification of procedures and practice in international trade, administration and transport.

As part of the overall activities aimed at regulating the normal functioning of trans-border cooperation, cooperation has also evolved within SECI in the fight against trans-border crime. In 1999 in Bucharest the Regional SECI Centre for the Fight against Trans-Border Crime has been established.

The SECI cooperates closely with the UN Economic Commission for Europe (UNECE) and the Organisation for Security and Cooperation in Europe (OSCE). The following states are SECI members: Greece, Albania, Macedonia, Montenegro, Serbia, Bulgaria, Romania, Turkey, Bosnia and Herzegovina, Croatia, Slovenia, Hungary and Moldova. The following states are SECI partners: USA, Italy, Austria, Switzerland, Liechtenstein and the Czech Republic.

2.4. Central European Initiative (CEI)

<http://www.ceinet.org>

The Central European Initiative (CEI) is composed of 18 Member States: Albania, Austria, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, Italy, Macedonia, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia and Ukraine. As of 1st January 2007, the CEI has 9 EU and 9 non-EU Member Countries giving it a unique opportunity to be a forum for the exchange of know-how and experience related to the European integration process.

The CEI was established in 1989 as an intergovernmental forum for political, economic and cultural co-operation among its member states. Its main aim was to help transition countries in Central Europe come closer to the EU. In the second half of the 1990's, the extension of its membership to South-Eastern and Eastern Europe refocused its priorities on countries in special need.

Forms of cooperation in the framework of CEI are very diversified by type, subject and level: summits, including the economic forum, developed parliamentary cooperation within the CEI Parliamentary Assembly, ministerial meetings, 18 working groups and task forces in various fields of cooperation, three funds that support activities of CEI, etc.

CEI Working Groups and Task Forces are active in following areas: agriculture, civil

protection, combating organized crime, cross-border cooperation and local democracy, education, culture, environmental protection, energy, human resources development and training, information and media, information technology, migration, minorities, science and technology, tourism, transport, small and medium enterprises and youth affairs.

In order to facilitate the implementation of programs and projects either organised or sponsored by the CEI, a Co-operation Fund has been established with annual budget of 300.000 €, covered by annual contributions from all CEI member states.

The CEI Co-operation Fund is to co-finance activities in various areas provided that at least 50% of the resources are available from another donor. Since its inception in 2002, the CEI Co-operation Fund (2002-2007) has supported almost 300 co-operation activities in various CEI member states with a total contribution amounting to about € 3,3 million or about 15% of the total value of these projects. Other funds within the CEI are CEI Trust Fund at the EBRD and CEI Solidarity Fund. The CEI-Executive Secretariat is located in Trieste, Italy.

3. FIELDS OF REGIONAL COOPERATION

Regional integration is today a process encompassing not only the formation of security alliances and trade arrangements, but also numerous domains of economic and social life, political structures, internal security, environment protection, culture etc. Therefore, it is a complex and multi-dimensional process of linkage, which does not only presuppose relations amongst states and national administrations but also many other social actors, such as representatives of business world, politics, civil society, local communities etc.

3.1. Parliamentary Co-operation

Parliamentary Cooperation was initiated in 2004 within the Stability Pact for SEE as one of the priorities in regional cooperation. In general, activities have been focussed on the strengthening of parliamentary capacities and on the creation of sustainable working structures amongst SEE parliaments.

The program of regional parliamentary cooperation encompasses the following activities: strengthening and institutionalising the links between parliamentary committees dealing with similar issues, training and capacity-building of parliamentarians and parliamentary staff, institutionalising training programs for newly elected MPs and parliamentary staff, as well as promoting twinning between parliaments from the region and beyond and enhance the exchange of information on parliamentary cooperation activities between international and regional partner organizations.

Priority areas of the parliamentary cooperation include European integration issues, in particular the harmonization of legislation with EU standards, democratic control of the security sector, budgetary control and judiciary reform, macro-economic and social policy, visa regulations and education.

Significant results have been achieved in establishing connections among parliaments and in particular Committees for European integration resulting in establishment of the Conference of the European Integration Parlia-

mentary Committees of States participating in the Stabilisation and Association Process (COSAP). COSAP has established relations with similar broader European association - Conference of European Affairs Committees of the parliaments of the EU Member states (COSAC).

The Stability Pact was involved in providing financial assistance and expertise for the improvement of parliamentary activities in the region, better conditions for the work of MPs, strengthening capacities of the administrative staff with the aim to secure “institutional memory”, better technical equipment in the parliaments, etc.

A number of seminars on different topics have been organized for MPs and parliamentary staff, such as freedom of the media, European standards of auditing and budgetary control, work of European institutions in the fields of employment, health, social protection, equal opportunities, pension systems and housing as well parliamentary control of the security sector in SEE, judicial reforms, crime and corruption, importance of the Energy Treaty, etc.

Parliamentary cooperation will remain a priority in the new Regional Cooperation Council and will be gradually handed over completely into regional ownership. To this end, it has been agreed that a regional Secretariat/focal point will be established in the Parliament of Bulgaria⁹ with the aim to ensure a timely and efficient coordination of activities (including for international donors) by creating also an information network and by providing details about interparliamentary activities between and for the respective parliaments. Moreover it could prepare an

administrative basis for a potential Parliamentary Assembly of SEE.

3.2. Trade and investment

The specific objectives of the EU and regional initiatives involving Western Balkan countries are to facilitate sustainable economic development through modernising infrastructure, particularly energy and transport, as well as through trade liberalisation and investment promotion. A particular aim is to ensure that both the countries of SEE and the international community take a regional strategic approach to economic development in order to make full and effective use of the public and private sector financial resources. Moreover, necessary economic reforms have been underpinned with measures to enhance social cohesion.

In order to foster a business climate conducive to investment, trade and employment, a single regional Free Trade Agreement was signed and the monitoring processes through the Investment Compact introduced, thereby fostering capital and know-how transfer and providing the basis for sustainable economic development in South East Europe.

3.2.1. Free Trade -CEFTA 2006

<http://www.stabilitypact.org/wt2/TradeCEFTA2006.asp>

Main phases of regional cooperation in stimulating free trade in the region were: the signing of the Memorandum of Understanding

⁹ Decision taken at the SEECP Parliament Speakers meeting on 18 April 2007 in Zagreb.

on Trade Liberalization in the region in 2001, the subsequent conclusion of 32 bilateral agreements on free trade, up to the signing of the new Central European Free Trade Agreement - CEFTA, on December 19, 2006, in Bucharest.

The new agreement is fully in line with the rules of the World Trade Organisation and with the parties' obligations towards the EU and replaces the network of 32 bilateral agreements that currently govern trade relations in South East Europe. These bilateral agreements will continue to govern regional trade until the new CEFTA 2006 comes into effect in mid 2007. A small Secretariat for CEFTA is envisaged within the EFTA Secretariat in Brussels.

The main characteristics of the CEFTA 2006 are:

- Establishment of a free trade area in the SEE by 31 December 2010;
- Transfer of concessions agreed upon in the previous 32 bilateral agreements;
- Removal of tariffs on industrial products by 1 January 2007;
- Reduction and gradual elimination of non-tariff barriers (NTBs);
- Special tariffs for agricultural products, as defined in the annexes of the agreement;
- Introduction into the agreement of new fields, such as trade in services, investments;
- Intellectual property and public procurements, while providing a more detailed;
- Definition of the fields covered by the previous CEFTA agreement;
- Introduction of the possibility of diagonal cumulation of origin (initially within the region and later on with the EU);

- New mechanisms of arbitration, etc.

The transformation of the 32 bilateral free trade agreements into the single multilateral agreement (modified CEFTA) reflects the interest for further development of the region and its inclusion into the European and world market.

The main reasons for initiating the multilateral agreement were:

- Liberalization of trade and the promotion of development potentials of the region;
- Introduction of single rules (in regard to significant differences in bilateral agreements) and the increase of security for investors (increase of transparency and uniformity, reduction of complexity and administration), increase of competitiveness, economy of scale, the change of the region's image, enhanced security in regard to applying the legal framework in the implementation of the agreement (multilateralization of rights and obligations, arbitration etc);
- Simplification of procedures makes easier and stimulates domestic and foreign investors to invest more into the region and contributes enhancement of cooperation through more complex forms: joint ventures, exchange of professionals, technical innovation and common access to third markets;
- Preparation for membership in the European Union (regional cooperation as the criterion for advancing in the integration process) and the procedure for introducing acquis communautaire on the sectorial level;
- Facilitation of the enlargement criteria (WTO membership and signed SAA) and modification of the existing CEFTA agreement (introducing new fields like the services, intellectual property and invest-

ment related to trade, the introduction of new procedures, prospects for the strengthening of institutions - secretariat) represent a significant enhancement of this regional arrangement;

- Liberalized trade is providing beneficial context for the Common Energy Market in South-Eastern Europe and for the coordinated development of the transport, energy and environmental protection infrastructure;
- Support of the European Commission, the Stability Pact for South-Eastern Europe, World Trade Organization and the World Bank, as well as nine supporting countries is crucial;
- Reforms of the regional trade regime and the respective harmonization of national trade regimes are not sufficient for an increase in trade and investments. It is necessary to continue and accelerate the ongoing reforms, particularly structural changes, in order to qualify countries in the region for world market competition, and particularly on the EU market;
- Broad popularisation and the accentuating of the significance of its implementation for the political stabilization and reconciliation in the region are needed for the success of this trade agreement.

Related to the operational phase of the CEFTA 2006 Agreement countries of the region are expected to closely cooperate in a much wider context:

- It is necessary that the authorized institutions in countries and customs territories which signed the agreement work together, rapidly and efficiently, on creating conditions for the implementation of a diagonal cumulation of origin, as well as to secure its

consistent implementation;

- The issue of visas for businessmen and freighters is of vital importance for efficient functioning of the free trade area in the SEE. In this regard should be used available EU documents and instructions which give the possibility to cooperate with local agencies;
- Without a good infrastructure network, not even the exceptional position of the countries in the region in regard to the corridors IV, V, VII, VIII, IX and X can come to its full expression. Therefore, governments are expected to engage in the creation of an ambiance needed for attracting foreign investors and to use available domestic funds for qualifying the transport roads within these corridors;
- Numerous studies and analysis said that a big obstacle for the use of advantages of liberal trade is the non-tariff barriers. They are identified and known, but their removal is mainly slow and inefficient. All participants in this process are expected to give their maximum in removing barriers, so that the Free Trade Area could function smoothly;
- In the future it is necessary to devote greater attention to the cooperation in the field of services, which is seen to be one of the comparative advantages of SEE;
- Chambers of commerce, as active participants in trade liberalization and intra-regional cooperation, offer their capacities for supporting the liberalization process and they are prepared to be the strategic partner to governments, the EU and the Stability Pact.

However, except for Bosnia and Herzegovina, Macedonia and Serbia, regional trade does not constitute significant percentage of the total

Table 3. South East European trade in 2005

South East European trade: Imports as % of total (2005)							
from:	Albania	B&H	Bulgaria	Croatia	Macedonia	Romania	S&M
Albania		0.0	0.0	0.0	0.2	0.0	0.2
B&H	0.1		0.0	2.4	0.3	0.1	3.3
Bulgaria	2.5	0.3		0.9	8.1	1.0	3.9
Croatia	0.9	22.7	0.3		2.9	0.2	3.6
Macedonia	0.9	0.6	0.2	0.8		0.0	5.2
Romania	1.0	0.9	3.5	1.5	4.9		2.7
S&M	0.7	10.9	0.3	0.9	10.5	0.2	
SEE-7	6.1	35.4	4.3	6.5	26.8	1.4	18.8
EU	70.4	58.2	56.8	65.2	57.9	68.4	51.2
ROW	23.5	6.4	38.9	28.3	15.3	30.2	30.0
Total, USD billion:	2.6	6.3	17.2	18.5	3.2	42.6	11.0

South East European trade: Exports as % of total (2005)							
to:	Albania	B&H	Bulgaria	Croatia	Macedonia	Romania	S&M
Albania		0.1	0.4	0.2	1.1	0.1	0.4
B&H	0.0		0.1	14.7	1.7	0.2	18.0
Bulgaria	0.0	0.0		0.5	1.6	2.1	1.3
Croatia	0.2	16.6	1.3		6.3	1.0	4.4
Macedonia	0.8	0.3	2.2	0.9		0.6	8.8
Romania	0.0	0.9	3.5	1.0	0.1		1.7
S&M	2.6	14.5	3.6	4.4	27.8	1.0	
SEE-7	3.6	32.4	11.2	21.8	38.6	4.9	34.6
EU	84.1	58.0	55.3	62.0	52.7	68.4	50.1
ROW	12.3	9.6	33.5	16.2	8.7	26.7	15.3
Total, USD billion:	0.6	2.5	10.9	8.9	2.1	26.2	3.8

Source: Ministry of International Economic Relations

foreign trade, although there is some evidence of growing intra-regional trade. Besides the expected contribution of the new agreement to political stability of the region, to its more balanced development, to attracting

investors, development of the infrastructure and improvement of the business image of the region, the most important from the consumers' perspective is that the agreement secures cheaper products of a better quality.

The end result of these positive developments within the region, opened by the new CEFTA, is increased competitiveness of the products and services, an increase of exports and thus of employment, which will altogether increase the living standard in the entire region.

Having in mind that inclusion of the Western Balkans into the recently created pan-Euro-Med (extended pan-European) diagonal cumulation of origin¹⁰ is the EU's strategic aim, and that the first step in that direction is the establishment of a zone of diagonal cumulation of origin between the EU and Western Balkan countries, a completely new context for trade and development in the region has emerged. Western Balkan countries are expected to adjust their trade policies to this liberal regional and pan-European context, what is going to have a positive impact on trade and investments in the region and will facilitate its European integration.

3.2.2. Investment Climate

<http://www.investmentcompact.org/>

The multiple economic crises during the 1990s, split of the common market of former Yugoslavia, conflicts and wars have depleted local financial capital in the region, and FDI has become fundamental to ensure sustainable economic growth, introduce technical innovation, and create employment opportunities.

FDI is often thought of as capital investments of businesses originated from Organization for European Co-operation and Development (OECD) countries. But the potential for trans-

border investment in the region should not be underestimated in terms of strengthening local businesses in the regional market to improve their competitiveness vis-à-vis foreign corporations. Regional cooperation is fundamental in creating a healthy business environment and attracting long-term viable FDI.

South East Europe has become an attractive investment location in the EU neighbourhood, with almost unrestricted trade access to its market, relatively qualified and inexpensive workforce and considerable endowment of natural resources. SEE countries adopted the Regional Framework of Investment on 27 June 2006. This is an important outcome of the Investment Compact, an initiative of the Stability Pact for SEE and the Organization for Economic Co-operation and Development aiming to assist the countries of the region in improving the investment climate. It demonstrates a clear commitment by the region to co-operate to enhance its competitiveness, maximize the flow of new investments, to take greater regional ownership of this process and to further strengthen ties with the European Union.

Although there is still an important gap between the economic policies adopted by SEE governments and the policies required for achieving the region's full investment potential, there has been considerable progress in some areas (e.g. investment policy, trade liberalization and corporate tax rates). GDP growth rates in the region are above 5%, inflation is under control and FDI inflows increased from € 4.6 billion in 2002 to over € 10.6 billion in 2005. According to recent credit ratings, there is greater stability and investment confidence and growing entrepreneurial culture.

¹⁰ Cumulation of origin is an instrument that allows material to be sourced and manufactured in a number of countries without the finished product losing the benefit of preferential customs tariffs when it enters the EU. The system has been successfully applied since 1997 between the EU and EFTA countries and those of Central and Eastern Europe and since 1999 with Turkey.

However, unemployment in the Western Balkans remains very high (reaching over 40% in Kosovo and Bosnia and Herzegovina). Financial infrastructure is considered to be weak, with high interest rates. The FDI inflows depend heavily on privatisation and are concentrated in few countries. Trade deficits are high, and intra-regional trade and investment are still at low level.

The fierce global competition for investment means that countries of SEE must continue to work together to improve the overall investment climate and to promote the region to foreign investors as well as to stimulate domestic investment. A key element of the Investment Compact's transition strategy is the establishment of a SEE Regional Investment Committee (Paris, April 2007), composed of senior government officials and private sector representatives from SEE and OECD countries that will mirror the Investment Committee of the OECD. The Committee will undertake peer reviews and develop recommendations on how to improve the investment climate in the region. Its work will be supported by the annual evaluation of the investment climate. The management unit at the OECD will support the work of this committee for the foreseeable future.

A key element of the Regional Investment Framework is the revised monitoring and evaluation mechanism, the Investment Reform Index (IRI) that provides a structured evaluation of the investment climate across several agreed criteria. The index is compiled through tripartite consultations between the SEE countries, the OECD and the business community. The first IRI was published on 9 November 2006 and presented at the Stability

Pact Working Table II meeting in Bucharest. It is based on a series of consultations with government officials and representatives of the private sector. The results of the IRI will also be used as input for the joint Investment Compact/Multilateral Investment Guarantee Agency (MIGA) project on "Support for Investment Policy, Promotion and Facilitation in SEE" (funded by the EC).

The Investment Compact maintains active links with the Business and Industry Advisory Committee to the OECD (BIAC), the Business Advisory Council to the Stability Pact (BAC), Foreign Investors Councils (FIC), and the SEE Regional Network of FICs, all of which have been consulted as part of the IRI process.

At the IC Donors Meeting and the 16th Meeting of IC Project Team held in Paris, on 9 and 10 November 2006, both donors and SEE parties committed themselves to further co-operation in this area. The Paris meeting's key message was that a solid and balanced policy and institutional framework, both at country and regional level, is needed to build a competitive edge, overcome the limitations of small and fragmented markets and convince investors that the SEE region can be a reliable and competitive location for investment.

3.2.3. Small and Medium Enterprises

<http://www.investmentcompact.org/dataoecd/31/41/38310075.pdf>

Until few years ago, small and medium enterprise policy received relatively little

attention in the region. The focus of governments was on consolidating macro-economic stabilisation, and on managing the restructuring and privatisation of large companies. Only limited support was available for small enterprises.

The adoption in 2003, at the Thessaloniki Summit, of the European Charter for Small Enterprises - a pan-European instrument developed under the framework of the Lisbon Agenda - by all Western Balkan countries and UNMIK/Kosovo contributed to a change in policy perspective. Since then, the Charter's policy guidelines have become a key reference for enterprise policy development in the region. In the last two years there has been measurable progress in meeting the Charter requirements. Improved skills, technology and targeted government support for exports represent the next wave of government policy that will help SMEs in the Western Balkans to become more competitive.

After joining the European Charter for Small Enterprises and introducing different related measures and policies in the region, the next steps of this project involved a self-evaluation of SME policy by the SEE governments and a comprehensive evaluation report published by the end of November 2006.

Having in mind that small enterprises are considered to be "the backbone of the Western Balkan economies"¹¹, their progress is highly relevant for economic and social development in the region. They make a major contribution to job creation and economic development. Small enterprises are behind the expansion of services, construction and transport sectors

that are driving economic growth in the region. Clusters of small enterprises operating in high value added operations are emerging, spreading innovation throughout many parts of the Western Balkans.

Starting from July 2006, the Business Advisory Council for SEE (BAC) organized a new round of field missions to the countries of the region meeting key ministers and high-level officials in charge of private sector development. While measuring progress from previous visits and giving recommendations on how to boost growth and attract investments it has indicated its intention to continue its work in improving the investment climate in SEE through structured dialogue with the governments of the region and providing useful private sector input to the forthcoming Regional Co-operation Council.

The EBRD-led private sector development programme continues to provide much-needed stimulus for private sector development in SEE, particularly to the SME sector through a combination of financial instruments and technical assistance. The various initiatives focus on trade facilitation (e.g. back up guarantees for letters of credit), SME financing (micro-credit, SME credit lines and equity funds) and SME support (business advisory services and management advice).

On the occasion of its 2006 Annual Meeting (London, 21-22 May 2006) the Bank announced the launching, with the support of 11 donor countries, of the Western Balkans Initiative. The objective is to boost private business investment and infrastructure development in Albania, Bosnia and Herzegovina, Macedonia, Montenegro and Serbia (including Kosovo).

¹¹ *Enterprise Policy Development in the Western Balkans - Report on the Implementation of the European Charter for Small Enterprises in the Western Balkans*, European Commission/OECD, Brussels, 2007, p.3.

The Bank endeavour to fund smaller projects and take more risks in order to support small and mid-size domestic enterprises. The funds provided by donors will support project identification and preparation. This Initiative became operational at the end of 2006.

3.3. Infrastructure development

Development of regional infrastructure is one of the main integrating factors in the Western Balkans, and policy makers consider the infrastructure sector among the top priorities for regional cooperation. In the coming ten years their attention will be predominantly focused on three sectors: transport, energy, and environmental protection.

Since 2000, considerable investment has already been devoted to the rehabilitation and improvement of infrastructure, also with the support of the international community, through donations and credits. Some of the key investments in the sector can gain in efficiency and effectiveness if coordinated and implemented jointly with other interested countries. Moreover, shared interests in developing regional infrastructures have the potential to promote dialogue and confidence building among countries until recently involved in conflicts.

The Infrastructure Steering Group (ISG) was established in September 2001, with the objective of facilitating the development of regional infrastructure in South East Europe and its integration into the Trans-European networks. Members of that body are representatives from

the European Commission, World Bank, European Bank for Reconstruction and Development, the European Investment Bank, the Council of Europe Development Bank and the Office of the Special Coordinator of the Stability Pact. The ISG has been meeting regularly since 2004, with the aim of strengthening a regional consensus on investment programs in the energy and transport sectors, but also in the regional environmental reconstruction program, with a focus on water management¹².

Continuous dialogue with the countries of the region and bilateral donors, and development of a database on regional infrastructure projects, are expected to be regular supportive activities, also addressing the main impediments to the implementation of regional projects. The countries of the region share common interests and inevitable complementarities in the reconstruction and development of transport and energy infrastructure. From the perspective of International Financial Institutions and other European organisations, a regional approach is instrumental for the further development of EU Trans Boundary Networks (TENs). The main criteria of their investment strategy are, besides the satisfaction of technical, economic and ecological requirements, that projects have a regional character and contribute to the completion of trans-European routes.

3.3.1. Energy

<http://www.energy-community.org/>

The Energy Community Treaty that was signed in Athens, on 25 October 2005, represents the

¹² *Regional Infrastructure Strategies and Projects in South East Europe, Office for South East Europe, European Commission/World Bank, May 12, 2005, p.1.*

achievement of the largest internal market for electricity and gas in the world, with effectively 34 participating countries and entities: the 25 European Union Member states and 9 signatories from the South Eastern Europe (Croatia, Bosnia and Herzegovina, Serbia, Montenegro, Albania, Macedonia, Romania, Bulgaria and UNMIK Kosovo). Negotiations with Turkey are ongoing. Moldova, Ukraine and Norway have applied to join, but for the moment are observers.

The signing of the treaty is the conclusion of the Athens process, which started in 2002, when the European Commission brought forward the proposal for the creation of a regional electricity market in South East Europe.

Why is the European Commission spearheading this process and this treaty?

Firstly, improving the balance between energy supply and demand is crucial to improve and sustain economic development in South East Europe. This requires a strong legal commitment by the countries of the region towards market oriented reforms, regional integration and sustainable development, and investment security. This will offer significant advantages both in terms of improved utilization of existing supply and production capacities, but also in fostering more cooperation and integration in the region, which would result in economic growth, stability and investment.

Secondly, the security of supply of the European Union is based on diversifying supply of gas and electricity and in being politically able to counter threats to energy disruption in the EU. By connecting this strategic area with

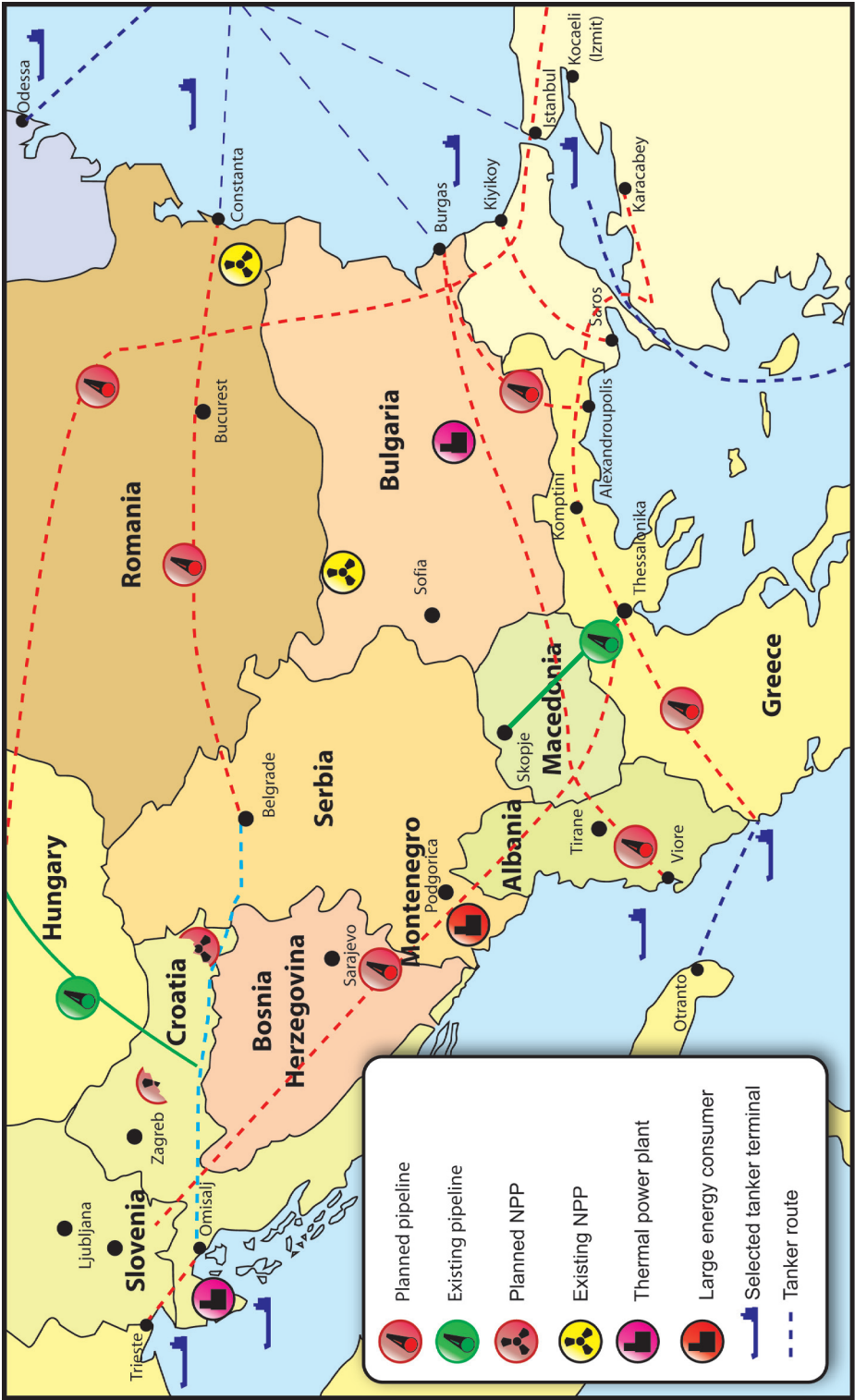
the internal energy market, both the EU's security of supply and that of the region will be assured.

Thirdly, the destruction of the energy infrastructure in the region during the wars of the 1990s and the economic fall-out following the break-up of the East-West divide have had tremendous and bad effects on the security of citizens in the region. Mortality rates have increased, woods have been deforested and established patterns of trade disrupted, impoverishing the local population. In the South East Europe a higher standard of energy infrastructure is an urgent necessity.

The Athens Process and the Energy Community Treaty provide that the states will:

- Implement electricity and gas tariff reform plans;
- Implement all necessary technical standards, such as grid codes, accounting systems and information exchange for the operation of the grid;
- Implement effective third party access to infrastructure;
- Create National Regulatory Authorities and transmission system operators;
- Develop local solutions to pressing problems of regulation, energy poverty and social equity; and
- Implement the gas and electricity directives.

The Energy Community Treaty was consciously modelled on the European Coal and Steel Community that is the basis of the European Union. The Treaty seeks to allow the states of post-war South East Europe to agree on one area of policy and then to develop in common a shared



Source: www.bankwatch.org/balkan_energy/interactivemap

outlook. The Energy Community Treaty is a key element of the EU strategy in SEE and an effective pre-accession tool as it aims to extend the benefits of the Internal Energy Market before the states of the region may become members of the European Union. Likewise, it asks not for commitments to do things in the future, but for each of the states to do things now.

The European Union is in the process of rapidly completing the internal electricity and gas markets. There are strong arguments for extending the internal electricity and gas markets outside its borders, but the creation of the level playing field and equivalent environmental and safety standards is a central element for a wider European electricity and gas market to function effectively. The process of inclusion of such countries goes considerably beyond simple questions of open trade between the EU and its neighbours under more general international trade obligations. It involves the active creation of a real integrated market, free of any barriers. Practically, in South East Europe that means creating a local regional market and designing it so that it seamlessly will fit into the general framework of the European Union's Internal Energy Market.

That is why the Energy Community Treaty has three operational parts:

Firstly, the treaty will extend to the SEE countries the application of the energy, environmental, renewables, competition and other parts of the *acquis communautaire* (legislation and rules decided at the EU level). This will create a level playing field, though there will have to be credible, effective and policed transition dates.

Secondly, the treaty will create regional mechanisms that extend into the European Union to allow for deeper integration of local energy markets. This will for example mean enabling regulation allowing for accelerated infrastructure development, in particular for gas pipelines (especially new connections to the Caspian Sea and the Middle East).

Thirdly, given that the idea of a common energy market is central to the Energy Community, there is agreement to work toward common policies for external trade, mutual assistance and the removal of internal energy market barriers.

Energy infrastructure is vital for economic recovery in the SEE, which according to many parameters has a very low rate of energy efficiency compared to European standards. Low energy prices, poor management and high losses have undercut the viability of most of the energy sector.

Regional cooperation in the energy sector could be considered as one of the most encouraging developments, so far. Signatories to the Treaty from the region undertook to implement the relevant EU regulations in the field of energy within one year after the Treaty enters into force (until July 1, 2007).

The signing of the Energy Treaty was an important step in the recognition of the fact that an efficient energy infrastructure is vital for the stability of the region and its future role in energy transit. The Black Sea countries (Bulgaria, Romania) have initiated energy market reforms earlier and have made considerable progress. Therefore, a regional

approach in the energy sector can enhance the reform process and transfer the best practices to the Western Balkans.

3.3.2. Transport

<http://www.seetoint.org/>

The main obstacles to the development of transport infrastructure are common to most of the countries in the region: low institutional capacities, poor planning and maintenance of roads, limited fiscal availability, indebtedness capacities, border crossing problems, and undeveloped inter-modal transport. Considerable efforts must be dedicated to upgrading the transport connections in all sectors (road, railway, river transport, and air transport). Coordinating cross-border activities targeting the same routes can help maximising the benefits, attracting the support of international investors, and building consistencies based on shared interests.

Incentives and best practices for regional and trans-border cooperation in the transport sector can be identified in the projects dedicated to the development of the ten pan-European transport corridors defined at the Crete Conference in March 1994. Out of the 10 identified corridors, four are of interest for the Western Balkans: corridor V, corridor VII, coinciding with the Danube river, corridor VIII, and corridor X, which was proposed after the end of the hostilities within former Yugoslavia.

The Memorandum of Understanding for the Development of the South East Europe Core Transport Network (MoU) signed in June 2004

sets out the requirements for cooperation, sharing information, improving performance, investment and institutional support. In April 26, 2005, a Regional Steering Committee was established, as well as the South East Europe Transport Observatory (SEETO), headquartered in Belgrade. In November 2005, a Master Plan for Development of the Core Transport Network was adopted. The MoU stipulates the preparation of a Five Year Multi Annual Plan (MAP) that gives details on the implementation of the MoU.

The overall objective of the MAP is to bring benefits to transport users within and beyond the SEE Region of improved efficiency, lower costs and better quality of services. The specific objectives of the MAP can be stated as:

- Providing focus for regional cooperation essential for European integration;
- A base of information on the performance of the Core Network;
- A programme of soft measures to improve the management of the Core Network;
- A list of the highest priority investment projects that remove bottlenecks.

The process of preparing the MAP is evolving. The Five Year Plan for the Development of the South East Europe Core Regional Transport Network for the period 2007-2011¹³ is the second of an annual rolling process within a planning horizon of 2020. This new plan updates the first MAP 2006-2010 that was approved by the Steering Committee in April 2006, through the addition of an overview of the performance of the Core Network, specific institutional initiatives that improve the efficiency of the transport network and a plan of highly ranked investment projects that are

¹³ *South-East Europe Core Regional Transport Network Development Plan, Five Year Multi Annual Plan 2007-2011, Common problems -sharing solutions, November 2006, Vol.1, SEETO, Belgrade, 2006.*

categorised according to their preparatory status. Numerous consultations at the Steering Committee meetings, at the different workshops and working groups and at the first Annual Meeting of Ministers in November 2005, in Skopje, contributed to the better provision of data and exchange of information.

Establishing a database on the conditions and performance of each of over 200 sections of the Core Network is the first step in making assessment on the total length of the core road network (5,866 km) and core rail network (4,264 km), Danube inland waterway in Croatia and Serbia (588 km). In addition, 7 seaports, 2 river ports and 11 airports have been included in the Core Network.

With 2,339 km of additional borders (following the break up of Yugoslavia), there are 49 road and 18 railway border crossings on the core network that restrict transport flows to various degrees. Road border crossing performance improvements have been assessed at 16 border crossings, 12 of which being on the core network. Average border delay times have reduced significantly due to the Trade and Transport Facilitation in South East Europe (TTFSE) and Integrated Border Management Programmes. However, the combined effect of speed restrictions and long border procedures reduces rail passenger commercial speed to about 50 km per hour (kph) and 25 kph for freight trains. The Memorandum signed in Corfu, June 2006, aims to improve performance of railway border crossings in Corridor X.

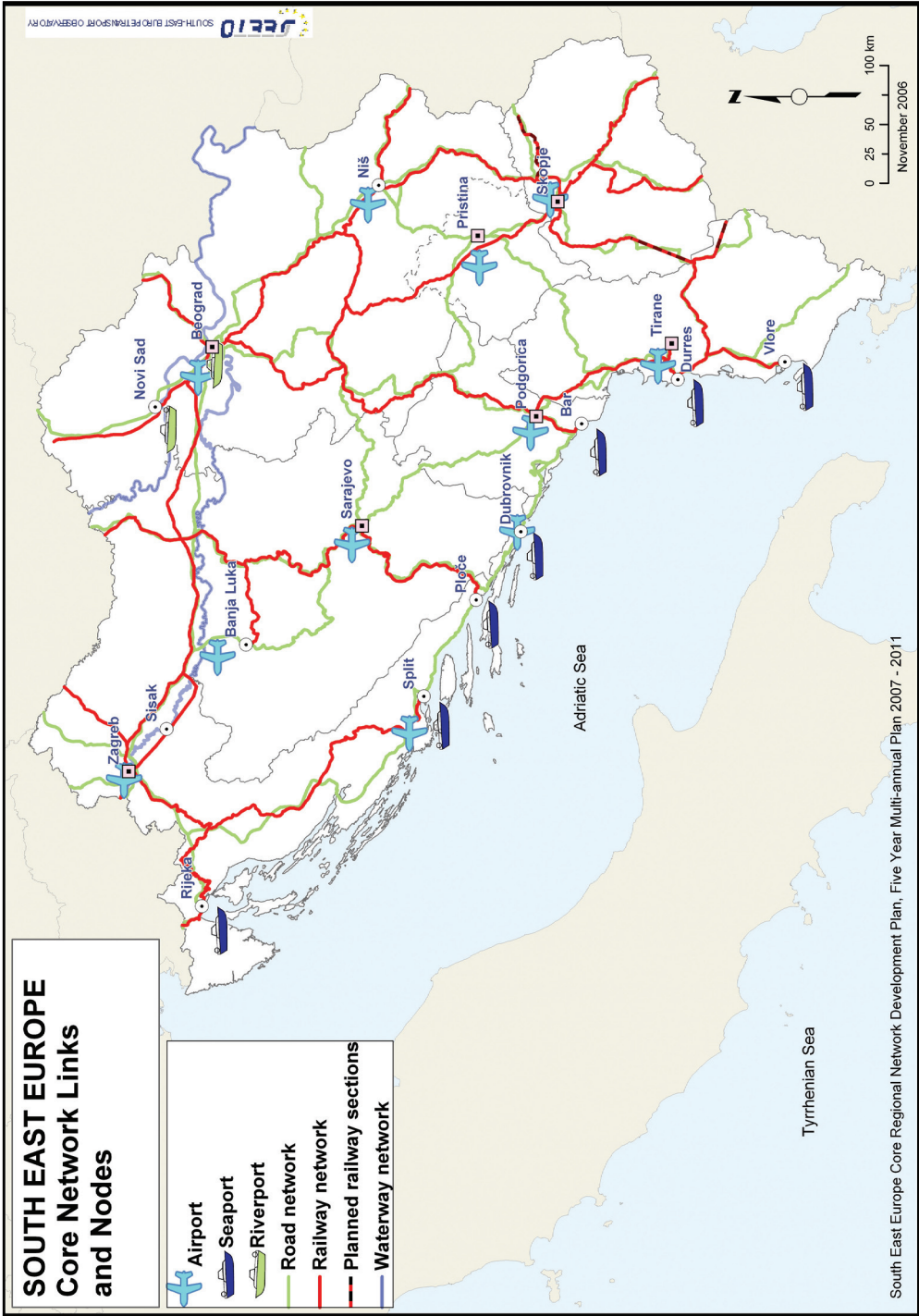
The underlying strategy for all MAPs comprises the following issues:

- Enhancing regional interest through coherence with other actions;
- Stimulating economic development through better modal balance;
- Improving sector management to ensure financial sustainability;
- Providing for social integration;
- Providing for safer operations;
- Adopting common technical standards.

The MAP underlines the necessity of adopting soft measures that move the region towards an integrated European Transport Market, in particular for railway and the road sub-sectors.

Since the first MAP 2006-2010 has been published in May 2006, 276 projects have been processed for the MAP 2007-2011, of which 220 were selected in the project pool. Indicative investment requirements for the prioritised 2007-2011 projects amount approximately € 1.9 billions over the next five years, which represents about 21% of the total estimated cost of € 9.1 billion for all regional projects submitted.

By 2011, the priority list of projects should improve further 506 km of road and 834 km of railway tracks and signalling; bottlenecks on Danube navigation should disappear and seaport and airport improvements will raise capacity to meet rising demand. By 2011 border crossings should become almost invisible due to passenger processing on moving trains and electronic interchange of rail freight data. All Balkan countries will be the part of the European Common Aviation Area (ECAA) and air traffic will be boosted by increased competition and lower fares.



SOUTH EAST EUROPE Core Network, Multi Annual Plan 2007-2011
Source: <http://www.seetoint.org>

By 2011, widespread legal and regulatory reform is expected through implementation of the *acquis communautaire* that will enhance integration into the EU transport market and reintegration of transport markets within the region.

3.3.3. Environment

<http://www.rec.org/>

At the regional level, environmental issues have been increasingly addressed in the context of regional infrastructure strategies in South East Europe, developed by the European Commission and the World Bank. The mechanisms have been analysed and developed supporting a regional approach in the environment sector (e.g. the regional environmental reconstruction program REReP), in particular on cross-country issues such as water management.

The European Commission launched under the CARDS regional assistance program development of a Priority Environmental Investment Programme (PEIP) to provide a framework for investment to address the main environment threats facing the region. Relying upon extensive work of the Regional Environment Centre for Central and Eastern Europe (REC) in Szentendre, the uniform methodology for the region has been developed rather than a national based approach. Using a 'hotspot' mapping, the geographical locations of environmental problems have been identified, as well as areas where the natural environment is considerably worse than in other areas. A list of 79 priority projects was

compiled by screening proposals from the environment ministries of the region, against a number of weighted criteria developed within that framework. The limited number of projects have been selected that would seem to offer the greatest chance of attracting International Financial Institutions (IFIs) finance and assisting the South East European countries to align with EU environmental norms and standards.

International cooperation in this field, and first of all among neighbours, is an imperative because of the cross-border nature of protection and promotion of the environment. The basis for cooperation is a number of broader multilateral and regional conventions and agreements. Particularly important is the legal harmonization with standards and regulations of the European Union. It was assessed that the international documents and agreements are implemented slowly and inefficiently on the regional level, and that the possibilities for cooperation are not sufficiently used.

Regional cooperation within the Regional Environmental Reconstruction Programme for SEE (REReP) has the following basic aims: building of functional institutions for the protection and promotion of the environment and the development of a stable and efficient policy and legal framework harmonized with the EU standards and values; strengthening of the role of the civil society in opening access to information, the decision-making process and the strengthening of consciousness regarding environmental issues; a measurable decline of the pollution levels and efficient regional cooperation regarding cross-border

Major industrial sites and water pollution



Environmental Security-Transforming risk into cooperation, UNEP/UNDP/OSCE (2003)

Source: <http://enrin.grida.no/environment-and-security/environment-and-security-english.pdf>

problems in accordance with the obligations under the Stabilisation and Association Process.

Because of the big scope of EU environment related legislation the regional project Environmental Compliance and Enforcement Network for Accession (ECENA) has been launched to help SEE countries to improve environmental protection through efficient transposition, implementation and enforcement of EU regulations, including strengthening of inspection services. For that purpose there is a budget of € 1 million for the period 2007-2009. Environment protection projects are also part of cross-border programs of cooperation among the countries of the region.

Members of the REReP are Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Romania, Macedonia, Montenegro and Serbia (including Kosovo) - observed by representatives of donor countries, international organisations, institutions and NGOs. The Regional Environmental Centre for Central and Eastern Europe provides the Secretariat for the REReP Task Force.

Task Force develops and implements a work program, with clear priorities, designed to yield practical results. Activities aim:

- To assist the South Eastern European countries to cooperatively identify and address regional, transboundary environmental priorities, as well as national priorities, in partnership with the public and the independent sector;
- To facilitate integration of environmental considerations into the process of economic reconstruction in order to promote stability

and long-term sustainable development, in particular in sectors having a significant impact on the environment and human health (e.g. industry, transport and agriculture);

- To support regional, national and local project preparation and investments bodies, in particular their capacity to plan, assess and implement projects and to mobilize the required resources;
- To facilitate the transfer of technology and information from the EU countries of Central and Eastern Europe to the countries of South East Europe;
- To assist the South Eastern European countries to effectively strengthen environmental institutions and to build capacity for environmental policy development;
- To provide assistance to the development of a viable civil society throughout South Eastern Europe;
- To provide guidance and support for environmental education and training;
- To establish effective communications and information dissemination networks among partners;
- To provide a forum for implementing the REReP.

REReP is fully operational. Its status has gone from donors' commitment to more than 100 implemented projects including both projects developed as part of the Quick Start REReP package and those supported through bilateral programmes, IFI loans or community instruments such as ISPA, CARDS and LIFE - Third Countries. The REReP project database was created to improve access to information on the projects' implementation, thus

enhancing the transparency of the project and facilitating regional networking and cooperation.

3.4. Human capital building

The Stability Pact introduced a new priority of regional cooperation called Building Human Capital (BHC) in mid 2006 (Regional Table Meeting, Belgrade on 29-30 May 2006). The rationale for establishing this new core objective derived from the key role that education and research play in the overall economic, political and social development of countries, as well as from the fragile state of education systems and research facilities and opportunities in all SEE countries. For the success of stabilisation and reform processes changes in the sectors of education and research are equally important as the successful transformation of the economies of the region.

This priority complies with the broader development strategy of the EU known as Lisbon strategy that places the main emphasis on knowledge, innovation and the optimisation of human capital for the sustainable economic and social growth. At the EU summit in Lisbon in March 2000 European leaders set the ambitious goal for the EU to become “the most dynamic and competitive knowledge-based economy in the world” by 2010 and adopted the Lisbon Agenda. However, five years later because of mixed results and slow fulfilment of the objectives, the Lisbon strategy has been refocused on growth and employment re-emphasised that the knowledge complex,

meaning education and training, research and innovation, is the main driving force for a sustainable growth and job creation. (European Council, 22-23 March 2005).

The objectives of the Lisbon agenda are also relevant for the Western Balkans and countries of the region should start taking into account the Lisbon Agenda objectives in their reforms (the European Commission in its Communication The Western Balkans on the road to the EU: consolidating stability and raising prosperity).

Regarding the education and research areas, an efficient way to integrate Western Balkan countries into the European education and research area could be their integration into the Community programs in the field of education and training, research and innovation. As the role of the Community programs is to support the EU internal policies in mentioned fields, it means that programs will be fully focused on achieving the re-defined priorities of the Lisbon strategy. Community programs: Integrated program for Life-Long Learning, Seventh Framework Program for Research, Youth program, Competitiveness and Innovation Program, as well as other related programs would be the most efficient means to integrate the SEE countries into the European knowledge area.

Full participation in the above-mentioned programs requires a complex and demanding preparatory being itself a tool to speed up necessary reforms and capacity building. The preparatory process includes a wide range of activities and measures starting with analysis of the structure and requirements for each

program and elaboration of the activities and means to ensure efficient participation. Just to mention some steps to be taken: to design policy documents as a strategic framework for the participation in programs (e.g. Lifelong learning strategy); adjustment of national laws and rules; removing administrative and technical obstacles for efficient participation (e.g. financial rules - taxes, co-financing, etc); organizational and budgetary aspects; building administrative capacity for program management, in some cases - establishment of national agency required; premises, equipment, ICT infrastructure, staff training; promotion and information campaign and other.

Young people should be the most important target group and stress need to be on programs such as Youth program, student mobility, young researchers, etc.

Western Balkan countries have already been involved in main European processes in the field of education and training, research and information and communication technologies (ICT), both at national and regional levels. They align their reforms with Bologna and Copenhagen processes, signed political documents on regional cooperation, such as Action plan on EU - Balkan countries cooperation in science and technology, Memorandum of understanding on the support for SEE education reform initiative, e-SEE Agenda for Information Society Building, etc. They also participate, partially or fully in a number of EU specific or Community programs (TEMPUS, Framework programs for research, Youth, Erasmus Mundus, LIFE, etc.), as well as in other regional forms of cooperation in the field of education and research, such as Central

Eastern European University Network, Central European Initiative University Network (CEI UniNET), SEE-ERA.NET, etc. It is necessary to integrate and intensify the implementation of already achieved results and focus future regional cooperation on coherent support to the development of the knowledge complex - research, education and innovation with particular emphasis on the opportunities for young people.

The priority Building Human Capital concentrates on both education and research in order to tackle the specific challenges faced in the reform of both fields. It intends to actively promote regional co-operation in order to foster the development of a learning society, democratic and accessible to all. In the process of promotion of regional cooperation in the above mentioned fields, the BHC aims to be complementary to and receive the active support of the SP SEE Task Force Education and Youth (TFEY), Education Reform Initiative for SEE (ERI SEE) and the SEE European Research Area Network (SEE-ERA.NET).

As a part of its priority work in the area of human capital building the Stability Pact for SEE launched on February 15, 2007 comprehensive database on postgraduate scholarships and grant opportunities for students in SEE.¹⁴

3.4.1. Education

Regional cooperation in the field of education has quite a long history. In the year 1998 during the first Austrian Presidency of the Council of the European Union a conference

¹⁴ Database can be accessed via:

<http://www.stabilitypact.org/wt1/BHCscholarships.asp>

“European Educational Co-operation for Peace, Stability and Democracy” was held in Graz. The follow up process is known as the Graz Process, focused on the promotion and support of education reforms in the countries of South Eastern Europe through regional co-operation and capacity building.

In 1999 the Enhanced Graz Process took over the coordination of the education and youth agenda of the Stability Pact for South Eastern Europe and became widely known as the Task Force Education and Youth (TFEY). TFEY has two main objectives: to continue its support of national education reform efforts in the perspective of the EU integration and to actively promote regional cooperation at system, expert and civil society levels in support of the SAP. Austria has hosted the Task Force Education and Youth since its foundation in 1999.

Ministers of Education from South Eastern Europe signed in 2003 a Memorandum of Understanding to join the EU commitment to the Lisbon goals in the field of education and adopted an Action plan defining priority areas for education development and reform.

Following the Memorandum, the Education Reform Initiative of South Eastern Europe (ERI SEE) was established and designed to serve as a regional platform for exchange and capacity building. This was a clear sign of a shift in the significance of education and training for the countries of the Western Balkans: from a tool for stabilisation in a post-conflict region, education became a key element in the process of European integration.

The Education Reform Initiative of South Eastern Europe is a tool for supporting the development and implementation of education reforms in the region, taking into account country-specific needs, as well as wider European context and trends.

During the period 2005-2006 ERI SEE was concentrated on the following issues:

- Preparation for participation in the Community Integrated Lifelong Learning Program through capacity building measures, training of experts and transfer of experience;
- European Qualifications Framework- National Qualifications Framework in the SEE: facilitating the flow of information on the developments in the European Unions, inter alia by thematic regional seminars and providing access to relevant information;
- Quality in education, in particular by organizing a thematic seminar on “Assessment and evaluation” that provided information on European concepts and practices, including topics such as learning outcomes, transparency, transferability, etc;
- Quality Assurance in Vocational education and training (VET) - Facilitating information flow for SEE ministries on the projects/programs developed at European level; lobbying for participation of the SEE experts in international meetings and seminars;
- ICT in education - organizing a seminar on different aspects and problems related to the role of ICT in education;
- Support for the OECD project Education Development for Disabled and At Risk Students and European Training Foundation project on Dissemination of Copenhagen Process for the SEE;

- Collecting relevant documents on education reforms and dissemination of information;
- Increasing the visibility of activities developed within ERI SEE through the ERI SEE electronic Newsletters (two times per year) and through the ERI SEE website.¹⁵

During the second Austrian Presidency of the Council of the EU in March 2006 a Conference of the European Ministers of Education has been held in Vienna, part of which was devoted to the Western Balkans Education and Higher Education Policy.

The Ministers stressed that the Lisbon Agenda is the main driving force for education reforms also in the countries of the Western Balkans. Education is a significant factor in the process of integrating the countries of the Western Balkans into the European Union. They stated that the process of integrating the region into the European Area of Education is well underway, but requires sustainable support and commitment at national, regional and EU levels. The implementation of the Bologna Process objectives, the participation of higher education institutions in the new Community programs, and the integration into the European Research Area are vital for the higher education institutions of the Western Balkan region and, with this, for strengthening education in Europe.

In addition, Ministers stated that the involvement of the Western Balkans in Community programs can give Western Balkan countries a firm foothold in the EU and facilitate the exchange of know-how and good practices. The Ministers hence welcomed that the new Lifelong Learning Program 2007 - 2013 foresees the participation of the Western Bal-

kan countries and concluded that the participation will depend on the timely fulfilment of necessary requirements at the national level and availability of the EU support.

A Pact for Education with the Western Balkans was initiated by Austria, which should serve as the political framework for regional and European cooperation for and with the Western Balkans in matters of education. The efforts within the Pact for education will move along the lines of the conclusions of the Vienna conference and are reflected in the work program of ERI SEE.

3.4.2. Research and development

In June 2003, following an initiative of the Greek Presidency of the Council of the EU and with support of the European Commission, the EU - Balkan countries Action plan in Science and Technology was adopted at the Thessaloniki ministerial meeting. The Action Plan created a strong momentum for enhanced scientific and technological cooperation between the EU and Western Balkan countries as well as among WB countries themselves.

The following main directions of mutual action have been defined:

- Creation of an atmosphere of understanding of EU RTD policies and strategies;
- Creation of general conditions for integration into EU RTD activities;
- Creation of potentials and capabilities for full participation in ERA, FP6 and other European programs.

¹⁵ www.erisee.org

It has been stressed that all necessary action should be taken for the reinforcement of the RTD capacities in each country and in the whole region. Specific actions should be focused on issues concerning the development of research infrastructures, the improvement of human potential, the creation of institutes and promotion of common RTD actions in regions of mutual interest and more specifically in sectors that will strengthen innovation.

Subsequently several activities have been initiated and they contribute to the achievements of the agreed goals: the launching of specific calls for proposals in the context of the Sixth framework research program, the implementation of the SEE-ERA.NET project and of several other projects in the field of e-infrastructures (such as SINSEE, SEEREN, SEE-Grid, etc), and the Steering platform for strengthening research cooperation between the Western Balkan countries and the EU within the framework of the European Research Area (ERA).

Activities in the field of scientific and technological research regional level are coordinated with programs and projects of wider multilateral cooperation, such as COST, EUREKA, UNESCO-ROSTE and others.

The Southeast European Era-Net (SEE-ERA.NET) is a networking project aimed at integrating EU member states and Southeast European countries in the European Research Area by linking research activities within existing national, bilateral and regional RTD programs.

SEE-ERA.NET is financed by the European Commission and managed by a consortium of 17 institutions from 14 European countries.

The objectives of SEE-ERA.NET are:

- To enhance research cooperation in Europe by fostering integration of Southeast Europe into the growing European Research Area;
- To add value to existing bilateral S&T agreements through multilateral coordination;
- To improve interregional research cooperation following the principles of the Stabilisation and Association Process in Southeast Europe;
- To contribute to the EU-Balkan countries the Action Plan in Science & Technology adopted at the Thessaloniki Ministerial Conference in 2003.

In June 2006 the European Commission and the Austrian EU Council Presidency jointly launched the Steering platform on research for the Western Balkan countries in Vienna. The Steering platform is to be used as a forum to bring together ideas and means and share information and experience. The Information office of the Steering Platform is issuing the eJournal with most important news regarding the implementation of the Steering Platform project.¹⁶

Comprehensive Seventh Framework Program for Research and Technological Development (FP7)¹⁷ came into force on 1 January 2007. For the period 2007-2013 it is the EU's main instrument for funding research in Europe. In mid February 2007 Croatia, Serbia, Macedonia and Montenegro requested to become associated to this program. Once the internal

¹⁶ More information at the website: <http://see-science.eu>

¹⁷ Detailed information available at the website: <http://cordis.europa.eu>

EC procedure is finalized, all researchers, institutes, universities and SMEs from these countries will be eligible to participate in FP7 on equal terms with participants from EU member countries. Bosnia and Herzegovina and Albania are also considering their association to FP7. With regard to Kosovo, research institutions and scientists from Kosovo, pending the status process, are encouraged to actively consider research cooperation with EU partners under special calls for third countries.

CEI University Network (CEI UniNet) is a network of universities belonging to CEI Member States. It aims at facilitating cooperation among the universities and other institutions of higher learning in Central, Eastern and South Eastern Europe providing support to mobility at the academic level.

The idea to create a "CEI University " was launched by Italy on the occasion of the CEI Summit, Meeting of the Heads of Government, held in Trieste in 2001. With the endorsement of its Founding Charter by the CEI Summit held in Warsaw in 2003, the CEI University Network has become operational. The CEI University Network, headed by the Rector of the University of Trieste in his capacity of Secretary General, is serviced by a unit of the CEI-Executive Secretariat, i.e. the Secretariat of the CEI University Network, based in Trieste.

Mobility is promoted through the implementation of Joint Programmes such as PhD and Master's courses. Summer schools, Seminars and Workshops may also be supported provided that they envisage a teaching element, a mini-

mum duration of one week and an awarding certificate. A Joint Programme should involve at least two Universities from different CEI Member States and fall within one of the following areas of cooperation: Economics, Infrastructure and Transport, Regional Development and Urban Planning, Public Administration and Governance Models, ICT, Environment.

Central and Eastern European University Network (CEEUN) was established in 2002 as a network of cooperation among international university institutions and research centres, with a wide range of issues and innovative projects. Since the start up, more than four hundred faculty members, researchers and experts at the international level, belonging to eighty research institutions in twenty-two countries, have been cooperating in the CEEUN initiative.

The Network has grown fast and soon after the scientific "voice" had been established with the journal *Transition Studies Review*. At the beginning, it was focusing on transition in Central and Southeast Europe, interpreting the CEEUN purely as a European University Network. In the last two years, the enlarged aims and extension of scope to Russia, Ukraine, Caucasus, the Black Sea and Mediterranean regions were achieved. From 2005, a worldwide regional approach looking to Asia, Latin America and Eurasia has been implemented.

All the research programs are focused on the following areas: 1. Europe and the world: integration, neighbourhood policies and beyond; 2. Finance, banking, insurance and monetary policies; 3. International

economics, inequalities, cooperation and development; 4. Public finance, fiscal policies and governance; 5. Entrepreneurship, innovation and international management; 6. Governance, democracy, society and choices; 7. Legal cooperation, international organization and comparative law; 8. International relations and foreign policy; 9. Regional studies and spatial planning; 10. Transport, infrastructures and architecture; 11. Culture, history and education; 12. Environment and climate; 13. Quantitative and statistical methods.

The Central and Eastern European Network (CEEN) is a platform for dialogue among the presidents of national Academies for Science from Central and South Eastern Europe established in 2003 by the European Academy of Sciences and Arts. The main aim of CEEN is to support the further integration of the region into the ERA.

3.5. Information society development

In order to address the challenges of Information Society development and use all the potentials offered by modern information technologies (IT), South Eastern European countries are active on the regional level in initiative dealing with IT introduction and development called Electronic South Eastern Europe Initiative (eSEE).

Development of communications infrastructure and services is essential, in order to attract and retain investment, stimulate job

creation and ensure a fully inclusive society. The creation and nurturing of a knowledge-based society in SEE will also enhance and maintain the region's international competitiveness. A key factor of realizing this is the provision of competitive, high-quality infrastructure and services. The Stability Pact's Working Group for Electronic SEE is the framework for regional cooperation aimed at the creation of a proper institutional environment for building the Information Society for all, in line with EU policies.

Electronic SEE Initiative was launched in October 2000 and was officially constituted in January 2001. The Regional Secretariat is based in the Sarajevo office of UNDP (2002). The aim of the eSEE Initiative is to better integrate SEE countries into the global, knowledge-based economy by supporting the countries of the region in the development of the Information Society, including benchmarking, best practices and the transfer of knowledge. It also aims at the co-ordination and facilitation of the introduction of ICT projects in various fields, among others business, governance and education.

The contents of the eSEE Initiative is harmonized with EU priorities, particularly Lisbon Strategy and other related strategic documents and is aimed, first of all, at the creation of an institutional framework for the establishment of an information society in the countries of the region. At the end of 2002 the SEE countries adopted the common document, the regional Agenda for the Development of the Information Society (eSEE Agenda). As is defined in the eSEE Agenda, countries from South Eastern Europe will take concrete

actions within the constraints of their specific environments in the fields of:

- Adoption of policy and strategy for the Information Society;
- Adoption and implementation of Legal Infrastructure for the Information Society accordingly to *acquis communautaire* settled within European Union countries;
- Establishment of regional cooperation and national implementation mechanisms; and
- Promotion of the Information Society for development.

The expected result for SEE countries of the eSEE Agenda for the Development of the Information Society was to get stronger political support first in their own countries, than in the EU and the rest of the world for ICT development actions in order to ensure their realization in practice.

By recognising the need to align the eSEE Agenda with the new targets set out by the new EU strategy and conclusions of the World Summit on Information Society (Tunis 2005) as well as by taking into account regional and national circumstances and priorities, SEE countries also agreed to adopt a new upgraded eSEE Agenda Plus at the next South Eastern Europe Ministerial Conference on the Information Society to be held in Sarajevo in June 2007.

At the end of June 2005 in Thessaloniki was held a ministerial conference on the development of the information society in SEE and a new Memorandum on the development of broadband communication resources (bSEE - broadband South Eastern Europe) was signed. The main ideas behind

this bSEE Initiative are the following: 1) the need to promote integral links in the Electronic Communications sector between the countries of the SEE region with a view to leverage capabilities and opportunities on both sides, 2) common interest in advancing the growth of investments, joint ventures, joint initiatives, technology development and markets in the Electronic Communications sector. The main aim of this new Initiative is to develop a unified broadband market fully interconnected with the European and global networks and to implement a technology and industry co-operation program aimed at fostering business partnerships between countries of the South East Europe region.

New activity within the eSEE initiative is the establishment of an “eGovernance” Center for SEE with the primary objective to provide the participating countries of South East Europe with a single regional institution for the creation and transfer of knowledge concerning e-governance, e-commerce and the development of a modern and transparent public administration.

Moreover, under the leadership of the Business Advisory Council for SEE, the ICT Private Sector Forum was launched with the aim of creating a closer alliance between governments and the private sector in the region in order to improve the ICT business environment and provide private sector input to relevant government policy.

In that way the foundations of a strategy for development of the information society in SEE are completed:

- The electronic SEE (eSEE) initiative - institutional framework;
- The broadband South East Europe Task Force - infrastructure;
- Private sector ICT Forum - private sector;
- eGovernance Center - transfer of experience and best practices.

3.6. Security and freedom of movement

3.6.1. Visa facilitation

Visa facilitation, with a clear perspective of visa-free travel, is a very important issue for ordinary citizens in the Western Balkan region and would make the European perspective more concrete to them.

Thus, during the preparatory process for the Thessaloniki EU-Western Balkans Summit, countries of the region stressed the importance of the visa regime liberalisation with the EU member countries and pointed out that EU visa policy was hampering reforms and the European integration process of the Western Balkan countries. That was reflected in the Thessaloniki Agenda by opening the perspective of gradually abolishing visas for the countries of the region dependent on their implementation of the major reforms in areas such as strengthening the rule of law, combating organised crime, corruption and illegal migration, and strengthening their administrative capacity in border control and security of documents. Since the Western Balkan countries have advanced in

the above-mentioned fields, the EU started at the end of 2006 negotiations on visa facilitation and readmission agreements with Bosnia and Herzegovina, Montenegro and Serbia and only on the visa facilitation agreement with Albania (readmission agreement has already been in force since May 2006). It is expected that agreements will enter into force at the beginning of 2008¹⁸. Croatia has already a visa-free regime with the EU, which means that its citizens can visit EU countries for short stays without a visa.

A list of facilitations relates to the simplification of documentary evidence to be submitted with the visa application, the possibility of issuing multiple-entry visas with a long period of validity, waiving/reducing the fees for certain categories of citizens, shorter deadlines for processing visa applications, exemption for holders of diplomatic passports, etc.

The following categories of citizens will benefit from visa facilitation agreements: pupils, students, post-graduate students, business people, journalists, participants in scientific, cultural and sport activities, civil society representatives, official delegations, members of governments, parliaments, constitutional courts and supreme courts, drivers of international cargo and passenger services, participants in cooperation programmes organised by twin municipalities and cities, members of the family visiting legally residing citizens of the Western Balkan countries in the EU member states, citizens travelling for medical reasons, tourists etc.

¹⁸ Denmark, Ireland and UK do not take part in the visa facilitation agreements.

The visa facilitation agreements are perceived as a step towards complete liberalisation of the visa regime between the EU member countries and Western Balkan countries.

3.6.2. Integrated border management and control

Border security and management related issues remain key components of the dialogue that the European Union initiated with the Western Balkan countries in the field of Justice and Home Affairs (Thessaloniki Agenda, 2003). The establishment of safe, secure and open borders, in line with the EU acquis and the EU model for external borders, is one of the prerequisites for the integration of these countries into the EU, including visa regime liberalisation that is priority for the majority of the countries of the region.

On the basis of the European border model, the Western Balkan countries undertake the commitment to develop an Integrated Border Security approach, which covers all aspects of border policy and aims at promoting internal security, combating illegal immigration, preventing the trafficking in human beings and economic exploitation of migrants.

Concerning border control, the Integrated Border Management concept covers both surveillance of borders and checks. In order to achieve a high level of border security, it is essential to ensure a high level of co-operation and co-ordination between all national authorities working in the field of border security (including police, customs and the law enforcement services).

On 22 May 2003, at the Ohrid Regional Conference on Border Security and Management, the Western Balkans countries agreed to the Common Platform proposed by the four organisations the EU, NATO, the OSCE and the Stability Pact, which contains the guidelines - political goals and objectives, principles, instruments, support, way forward and short term objectives. The process of cooperation on integrated border control and management started with the Ohrid conference is known as the Ohrid process.

In the Common Platform countries of the region committed themselves to achieve the following political goals and objectives:

- To establish open but controlled and secure borders in the entire region, in accordance with European standards and initiatives. This goes through the facilitation of border crossing for legitimate purposes, especially by the inhabitants of border areas, and through the effective prevention and prosecution of all illegal cross-border activities, in particular those that support terrorism and organised crime and endanger regional security (especially trafficking in weapons, human beings and drugs);
- To promote further stabilisation, which will pave the way for a closer relationship of the countries of the region with Europe and for their perspective membership in the European Union, by strengthening the rule of law, institutional capacity and by regional co-operation;
- To take advantage of advice and support in military issues in specific parts of the region within the overall framework of the security

sector reform, in the field of border security and smuggling interdiction.

In the supplementing document “Way Forward” countries of the region commit themselves to achieve short-term objectives in the initial phase including development of national instruments as well as development of specific cooperation instruments.

Initial development of national instruments:

- Definition of national policy and strategy on integrated border management followed by corresponding national action plans;
- Establishment of national co-ordinating structures and procedures;
- In the region, where and when required, Command and Control (C2) arrangements will be identified through appropriate civilian channels.

Initial development of specific co-operation instruments:

- Establishment of internal, bilateral and multilateral mechanisms and procedures for the exchange of information on border and trafficking issues.
- Training and certification of all military personnel directly involved in border control and anti-trafficking activities.

Regular review meetings to assess concrete implementation of the Common Platform were held in the framework of the Ohrid process and, as it has been already said, the border management-related issues are the key component of the justice and home affairs ministerial dialogue between the Western Balkans and the EU. The Ohrid process will be concluded at the end of 2007.

3.6.3. Fight against transborder crime and corruption

Combating organised crime and corruption is a key priority for the countries of the region both at national and regional levels. Organized crime and corruption are threats to security and democratic stability, and obstacles to the rule of law and economic development in the region. In regional cooperation particular focus is being placed upon fighting all forms of trafficking, particularly in human beings, drugs and arms, as well as smuggling of goods. Strengthening the regional operational cooperation for police and prosecution is considered a key priority for the countries of the region.

All important segments of the justice and home affairs complex are covered by specific forms of regional cooperation, such as: Organized Crime Initiative (SPOC), SECI Regional Centre for Combating Trans-border Crime in Bucharest, Anti-corruption Initiative (SPAI), Migration, Asylum and Refugee Regional Initiative (MARRI), the Southeast European Prosecutors Advisory Group (SEEPAG), Police Forum, South East Police Chief Association (SEPCA) and other related projects.

Stability Pact for South Eastern Europe stated from the beginning that support to SEE countries required coordination on multiple levels simultaneously to combat organised crime. In order to be effective, the Stability Pact Initiative against Organised Crime (SPOC) was launched in October 2002.

It has been operational since late 2003 providing legal expertise to the countries of

the region in harmonising their legal framework with EU and international standards. It supports the strengthening of existing and the development of new mechanisms for regional cooperation against organised crime. Main goals of the SPOC are to promote governmental action and cooperation on organized crime, passage and implementation of EU-conform legislation, as well as to provide political support to SECI Centre in Bucharest.

SPOC's work is based on a wide range of international instruments: London Statement on Defeating Organized Crime in SEE (November 2002); Thessaloniki Declaration on Western Balkans (June 2003); EU-Western Balkans Forum JHA Ministerial Meetings; SEECIP Joint Declaration to Fight Organized Crime and Corruption (Bucharest 2005), etc.

SECI Regional Centre for Combating Trans-border Crime in Bucharest¹⁹ established in 1999, when the interested countries of the region signed the Agreement on Cooperation to Prevent and Combat Trans-border Crime. On the same occasion the Charter on a Regional SECI Centre for the Fight against Trans-border Crime was adopted. Mutual cooperation in the prevention, detection, interrogation, pursuance and sanctioning of trans-border crime was envisaged. Forms of cooperation are: provision of information, exchange of data, protection of personal data, submission of requests, etc. The Centre started with work in October 2000, each participating country is represented with two officials in the Centre, one customs and one police representative.

Objectives of the SECI Centre are as follows:

- Setting-up a mechanism based on enhanced law enforcement cooperation at national level to be used by the Parties in order to assist each other, in preventing detecting, investigating, prosecuting and repressing trans-border crime;
- Support to the field activities of the law enforcement officers, the SECI Centre being a “service provider” for their daily activities;
- Provide assistance to the Parties in order to harmonize their law enforcement legislation in respect to the EU requirements;
- Support national efforts in order to improve domestic cooperation between law enforcement agencies;
- Support of the specialized Task Forces addressed to the combating of:
 - Illegal human beings trafficking
 - Illegal drugs trafficking
 - Commercial fraud
 - Stolen cars
 - Financial crime
 - Customs evaluation.

Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Greece, Hungary, Macedonia, Moldova, Romania, Serbia, Slovenia, Turkey are fully participating in the SECI Centre while following countries are permanent observers to the SECI Centre: Austria, Azerbaijan, Belgium, Canada, France, Georgia, Germany, Italy, Japan, The Netherlands, Poland, Portugal, Slovakia, Spain, Ukraine, United Kingdom and United States of America.

The Southeast European Prosecutors Advisory Group (SEEPAG)²⁰ is an international mechanism of judicial cooperation, formed by

¹⁹ More information at: <http://www.secicenter.org/>

²⁰ More information at: <http://www.seepag.org/>

the countries of the SEE region in 2003 in order to facilitate judicial cooperation in significant trans-border crime investigations and cases. This initiative recognizes that as trans-border crime transcends national borders, the strategy for combating it must have the regional as well as national dimension. By improving upon the available facilities for mutual legal assistance, the SEEPAG seeks to significantly increase the capacity of individual states to suppress, investigate and prosecute serious trans-border crimes.

The SEEPAG is a network of experienced prosecutors who assist the SECI Centre in operational matters and facilitate, to the greatest extent possible, the rapid exchange of information and evidence in trans-border investigations. By linking together a network of experienced prosecutors, the SEEPAG seeks to fill a critical gap in the region by promoting the timely exchange of information and evidence, whether through the proper execution of mutual legal assistance requests, or through more informal channels of information exchange.

The SEEPAG's second function is to provide guidance, assistance, and feedback to lawmakers in the region on justice and law enforcement issues. By combining the legal skills and functional experience of prosecutors, the SEEPAG can assist in the creation and harmonization of laws and regional agreements aimed at combating organized crime. The SEEPAG can also provide legal guidance and opinions on various legal issues that arise in the context of regional cooperation on justice matters.

Participating countries are: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Greece, Macedonia, Moldova, Montenegro, Romania, Serbia, Slovenia and Turkey.

SPOC Secretariat, SECI Centre and SEEPAG Group are closely cooperating and coordinating their activities in priority areas such as data protection, witness protection, stolen vehicles, financial crime, trafficking in human beings, implementation of the related international conventions and strategic documents.

The Stability Pact Anti-Corruption Initiative (SPAI)²¹ intends to give an impetus to the fight against corruption in the region by building upon existing actions through better co-ordination of all efforts and by relying on high-level political commitment.

The Stability Pact for South Eastern Europe made the fight against corruption a top priority upon its founding in 1999. On February 2000 in Sarajevo, Stability Pact countries, including the EU member states, the countries of the SEE region and the international donor community, adopted an Anti-Corruption Initiative - SPAI.

No country of South Eastern Europe can afford the social, political and economic costs that bribery and corruption entail. As such, the fight against bribery and corruption has moved to the top of the regional political agenda. The legal and institutional frameworks are being reformed according to European and other international standards. This is not only needed in order to outlaw the practice of bribing public officials, but also

²¹ Detailed information at: <http://spai-rslo.org/new.asp>

to promote a whole arsenal of legal instruments and to improve ethical standards in the public sector, to establish the rule of law, to curtail money laundering and to clean up public procurement practices. The private sector and the civil society are playing a crucial role in turning these new rules into reality.

The SPAI takes a multidisciplinary approach to fighting corruption, incorporating issues such as the adoption of international legal instruments, promotion of good governance, strengthening the rule of law, promotion of transparency and integrity in business operations and development of an active civil society. SPAI also provides incentives for policy reform and sets out a number of commitments for policy reforms that SEE countries need to implement in order to eradicate corruption.

Since the initiation of SPAI the environment for cooperation against corruption in South-eastern Europe has changed considerably:

- Countries have made significant progress in the adoption of relevant international instruments;
- All countries of South-Eastern Europe are now members of the Group of States against Corruption (GRECO) under which their compliance with European anti-corruption instruments is monitored. Some also participate in the OECD monitoring mechanism;
- Comprehensive anti-corruption plans have been adopted and are under implementation;
- In some countries, institutional mechanisms to manage the implementation of these

plans as well as specialised institutions to investigate and prosecute corruption have been created;

- The capacity of civil society organisations to support anti-corruption measures have been strengthened, as reflected in the formation of anti-corruption coalitions or the creation of national chapters of the NGO Transparency International;
- The readiness of donors and international organisations to support specific anti-corruption projects has increased and a - yet limited - number of projects have been implemented.

In November 2002, countries of South Eastern Europe signed up to the London Statement in which they committed themselves, among other things, to develop and implement national anti-corruption plans and anti-corruption laws, to build public support against corruption, and to engage in judicial networking and other forms of regional cooperation.

Anti-corruption measures are also reviewed within the EU's Stabilisation and Association Process.

SPAI Regional Office based in Sarajevo plays an important role, also as a part of the increasing regional ownership. Recently interested countries of the region have signed the Memorandum of understanding regarding the financial commitments for the SPAI secretariat (Ministerial meeting on justice and home affairs, Zagreb, April 2007).

4. TRANSFER OF REGIONAL COOPERATION OWNERSHIP

Given the changed environment in South Eastern Europe and advancement of all countries of the region towards the European Union and Euro-Atlantic integration, the approach to regional co-operation in South Eastern Europe needs to change accordingly with the aim to become more regionally owned. The Regional Ownership process was initiated at the Stability Pact for SEE meeting in Sofia (2005) in order to prepare a phased evolution of the Stability Pact into a more regionally owned, streamlined and effective regional co-operation framework in South Eastern Europe.

Following a wide consultation process with countries of South Eastern Europe in 2005 and 2006, the Stability Pact at its meeting in Belgrade in May 2006 took far reaching decisions on the transformation of the Stability Pact into a more regionally-owned, streamlined and effective regional co-operation framework in South Eastern Europe. It was agreed to establish the streamlined Regional Co-operation Council (RCC) that will have a Secretariat based in the region²² with the Liaison Office in Brussels, as well as the Secretary General.

The main task of such a framework is to be a facilitator of regional co-operation and support the European and Euro-Atlantic integration of the SEE countries, while ensuring continued involvement of the donor community, thus preserving the legacy of the Pact. The intention is to link closely the South Eastern Europe Cooperation Process as the main regional political forum with more operational structure to be established - the Regional Cooperation Council (RCC).

The tasks of the RCC are defined as follows: to sustain focused regional co-operation in South East Europe through a regionally-owned and led framework; to provide political guidance to and receive substantive input from relevant task forces and initiatives active in specific thematic areas of regional co-operation; to promote the region's European and Euro-Atlantic integration; and to provide guidance to the Secretariat of the RCC and its Secretary General. The RCC should provide the SEECP with operational capacities through its Secretariat and task forces as well as act as a forum for the continued involvement of those members of the international donor

²² According to the decision endorsed at the Summit of SEECP countries on May 11th 2007 in Zagreb, the RCC Secretariat will be located in Sarajevo.

community engaged in South Eastern Europe. The new phase of regional cooperation requires more active involvement and commitment of the countries of the region in terms of political guidance, programming and monitoring of the activities, financing and staffing.

As it has been already mentioned, the streamlined Regional Co-operation Council (RCC) and its Secretariat should focus their activities on six areas which the countries of the region have already identified as those where regional co-operation will be beneficial to all: Economic and Social Development; Infrastructure; Justice and Home Affairs; Security Co-operation and Building Human Capital, with Parliamentary Co-operation being an overarching theme that is linked with each of the other areas. The political work of the RCC in these six core areas will be supported on a technical and expert level by a network of Stability Pact's initiatives and task forces.

Transition from the Stability Pact to the Regional Cooperation Council (RCC), linked to the South East Europe Cooperation Process as the only authentic regional initiative developed by the Balkan countries, is expected to contribute significantly to the greater level of regional ownership and leadership with increased responsibility for overall regional development.

At the end its needs to be stressed that civil societies of Western Balkans played a crucial role in regional co-operation. They gave and continue to give the essence to the processes of reconciliation, peace, stability and overall regional cooperation development. They are

real promoters and carriers of the regional ownership concept. Civil societies shall continue to have a prominent role in the new regional institutional architecture, particularly in the Regional Co-operation Council.

Appendix I

LIST OF ABBREVIATIONS

		COSAP	Committees for European integration of States participating in the Stabilisation and Association Process
		EBRD	European Bank for Reconstruction and Development
		ECAA	European Common Aviation Area
		ECENA	Environmental Compliance and Enforcement Network for Accession
BAC	Business Advisory Council (within SECI)	EFTA	European Free Trade Association
BAC	Business Advisory Council to the Stability Pact	ERA	European Research Area
BIAC	Business and Industry Advisory Committee to the OECD	ERI SEE	Education Reform Initiative for SEE
BSEC	Organization for Black Sea Economic Cooperation	eSEE	Electronic South Eastern Europe Initiative
bSEE	Broadband South Eastern Europe	EU	European Union
CARDS	Community Assistance for Reconstruction, Development and Stabilisation	FDI	Foreign Direct Investment
		FIC	Foreign Investors Councils
		FP7	Seventh Framework Program for Research and Technological Development
CEEN	The Central and Eastern European Network	ICT	Information and communication technologies
CEEUN	Central and Eastern European University Network	IFIs	International Financial Institutions
CEFTA	Central European Free Trade Agreement	IBM	Integrated Border Management
CEI	Central European Initiative	IPA	Instrument for Pre-accession Assistance
CEI UniNET	Central European Initiative University Network	IRI	Investment Reform Index
		ISG	The Infrastructure Steering Group
COSAC	Conference of European Affairs Committees of the parliaments of the EU Member states	MAP	Five Year Multi Annual Plan
		MARRI	Migration, Asylum and Refugee Regional Initiative

MIGA	Investment Compact/Multilateral Investment Guarantee Agency	SP SEE	Stability Pact for South Eastern Europe
NTBs	Non-tariff barriers	SPAI	Anti-corruption Initiative
OECD	Organization for European Co-operation and Development	SPOC	Organized Crime Initiative
OSCE	Organisation for Security and Cooperation in Europe	TENs	EU Trans Boundary European Networks
PEIP	Priority Environmental Investment Programme	TFEY	Task Force Education and Youth
RCC	Regional Co-operation Council	TTFSE	Trade and Transport Facilitation in South East Europe
REC	Regional Environment Centre for Central and Eastern Europe in Szentendre	TTFSE Program	Trade and Transport Facilitation in South East Europe (within SECI)
REReP	Regional Environmental Reconstruction Programme for SEE	UNECE	UN Economic Commission for Europe
SAA	Stabilisation and Association Agreement	VET	Vocational education and training
SAP	Stabilisation and Association Process	WB	Western Balkan
SECI	South Eastern Cooperation Initiative	WTO	World Trade Organisation
SEE	South East Europe		
SEECp	South-East European Co-operation Process		
SEE-ERA.NET	SEE European Research Area Network		
SEEPAG	Southeast European Prosecutors Advisory Group		
SEETO	South East Europe Transport Observatory		
SEPCA	Police Forum, South East Police Chief Association		
SME	Small and medium enterprise		



European Movement
Serbia



**Albanian Institute
for International Studies**



CIRa-CIRa



**European Movement
Montenegro**



**Helsinki Committee for Human
Rights in Bosnia and Herzegovina**

IMO

*Institut za međunarodne odnose
Institute for International Relations
Institut pour les relations internationales
Instituto para las relaciones internacionales*



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